FINANCING AN EMPIRE

History of Banking in California

[redacted]
332.1 Cross, I.B.
1 Financing an empire, v.1.

844353

[redacted]
Santa Clara County Free Library System

Libraries located at:

Alum Rock
Burbank
Campbell
Cupertino
Los Altos
Milpitas-(Calaveras) (Civic Center)
Morgan Hill
Mt. Hamilton
Saratoga-(Village) (Quito)
Union-Cambrian Park

Central Research Library
at
Headquarters

Research Center AUG 1 0 1977

Financing an Empire

HISTORY *of* BANKING IN CALIFORNIA

By

IRA B. CROSS, Ph. D.,

Member National Board of Regents, American Institute of Banking; Professor of Economics, University of California.

VOLUME I

ILLUSTRATED

844353

CHICAGO—SAN FRANCISCO—LOS ANGELES
THE S. J. CLARKE PUBLISHING CO.
1927

Santa Clara County Free Library
San Jose, California

SANTA CLARA COUNTY LIBRARY

DEDICATED TO

IRA BROWN CROSS, JR.

AND

CARLETON PARKER CROSS,

Whose boyhood happiness I have partially sacrificed by giving so much time to the writing of these two volumes.

PREFACE

The welfare of a people and their industries depends upon a sound financial structure. As an observer and student of those fundamental factors that operate in the broad field of finance throughout the nation, I have been impressed with the outstanding soundness of viewpoint, the initiative and the farsightedness of those men who have made banking history in California. I have undertaken to write these two volumes solely for the purpose of recording the fruits of the efforts, the vision and the fidelity to trust of those financiers of the past who have given us the romantic story of banking in California.

A sincere attempt has been made to present the history of every bank established in the state from the days of the gold rush to the close of 1926. Errors have undoubtedly crept into the narrative because the subject is so large and so complicated. Especially during the past few years events have moved so rapidly as to make it extremely difficult and at times almost impossible to keep up with developments. It is hoped that the reader will appreciate the fact that every effort has been made to compile an authentic and unprejudiced story of the events of the past.

The two volumes which I have written are concerned with small as well as with large banks and with unimportant as well as with important individuals. Otherwise the story would not be complete. I have sketched the biographies of only those financiers who have passed from the scenes. The biographies of many bankers who are still active in their chosen profession appear in volumes III and IV.

I am greatly indebted to those friends who have given freely of their time and knowledge in assisting me to gather data for my two volumes. I owe much to the unfailing kindness and assistance of Frederick H. Colburn, secretary of the California Bankers Association, a man beloved of his fellow men, and to my

colleague, Dr. Felix Flügel, Assistant Professor of Economics, University of California, who has read much of the manuscript and has made many helpful suggestions for its improvement.

IRA B. CROSS.

Berkeley, California.
February, 1927.

CONTENTS

PAGE

PREFACE vii

LIST OF ILLUSTRATIONS xi

CHAPTER I

CALIFORNIA, THE GOLDEN STATE 1

CHAPTER II

DISCOVERY AND EARLY EXPLORATIONS 17

CHAPTER III

THE LAND OF SUN, THE LAND OF GOLD, THE LAND OF FORTY-NINE 35

CHAPTER IV

THE FIRST STATE CONSTITUTION 81

CHAPTER V

PIONEER AND PIONEER CITIES IN CALIFORNIA 121

CHAPTER VI

THE CHINESE PERIOD 163

CHAPTER VII

THE PROMISED LAND 207

CHAPTER VIII

CALIFORNIA AND FOREIGN POWERS 261

CHAPTER IX

THE PRESIDENTIAL ELECTIONS 303

CHAPTER X

THE SECOND CONSTITUTIONAL CONVENTION ---------- 449

CHAPTER XI

THE SOLID EIGHTIES ---------- 473

CHAPTER XII

BANKING IN LOS ANGELES PRIOR TO 1890 ---------- 527

CHAPTER XIII

BANKING IN SAN DIEGO PRIOR TO 1890 ---------- 573

CHAPTER XIV

DEPRESSION AND RECOVERY, 1890-1900 ---------- 587

CHAPTER XV

THE FIRST YEARS OF THE TWENTIETH CENTURY, 1900-1909 ---------- 643

CHAPTER XVI

BANK OPERATIONS UNDER THE ACT OF 1909, 1909-1917 ---------- 719

CHAPTER XVII

THE WORLD WAR AND AFTER, 1917-1926 ---------- 761

CHAPTER XVIII

MONEY RATES IN CALIFORNIA ---------- 791

CHAPTER XIX

SAVINGS BANKS IN CALIFORNIA ---------- 801

CHAPTER XX

TRUST COMPANIES IN CALIFORNIA ---------- 809

CHAPTER XXI

THE NATIONAL BANKING SYSTEM IN CALIFORNIA ---------- 829

CHAPTER XXII

CALIFORNIA AND THE FEDERAL RESERVE SYSTEM ---------- 849

CHAPTER XXIII

LABOR BANKS IN CALIFORNIA ... 869

CHAPTER XXIV

CLEARING HOUSES IN CALIFORNIA ... 883

CHAPTER XXV

BRANCH BANKING ... 903

CHAPTER XXVI

THE FEDERAL FARM LOAN SYSTEM IN CALIFORNIA ... 925

CHAPTER XXVII

BANKERS' ASSOCIATIONS IN CALIFORNIA ... 935

CHAPTER XXVIII

THE AMERICAN INSTITUTE OF BANKING ... 953

SUBJECT INDEX ... 977

LIST OF ILLUSTRATIONS

VOLUME I.

	Page
View of San Francisco, 1846-7	9
John C. Fremont; Commodore R. F. Stockton; General Pio Pico; General Vallejo	19
San Francisco's First Custom House; Raising the Bear Flag of the California Republic	27
James Marshall, Discoverer of Gold in California	31
First Post Office, San Francisco, 1849; Hangtown	35
Henry M. Naglee; Miners Exchange Bank, San Francisco, 1856	45
Naglee & Sinton Bank, San Francisco	49
Banking House of James King of William, San Francisco; James King of William	59
Mail Arriving at the Mines in Early '50s	69
D. O. Mills	79
Exterior, Branch of D. O. Mills & Company at Columbia; Present Interior of D. O. Mills & Company at Columbia; Business Card of W. O. Sleeper & Company	83
John H. Jewett; Peter Decker; John A. Paxton; Governor Frederick F. Low	87
Private Gold Coinage of Moffat & Company	129
First Building, United States Mint, San Francisco; John Little Moffat	143
Charles M. Weber; H. H. Hewlett; Bank of T. Robinson, Bours & Co.; B. W. Bours	163
Montgomery Street, San Francisco, in 1854; California Street (below Kearney), San Francisco, 1856	179
Eugene Kelly; Joseph A. Donohoe	217
Samuel Brannan; Joseph Perry, Jr.	225
Early Officers of the San Francisco Savings Union	247
John Archbald; Peter H. Burnett	251
The Bank of California, San Francisco, 1866; Interior of Bank of California, San Francisco, 1878	261
Home of the Safe Deposit Company of San Francisco; Front View of the Great Vault of the Safe Deposit Company of San Francisco	271
R. J. Tobin; Adolph C. Weber	275
First Home of the Sacramento Bank; Charles H. Swift; William Beckman	281
Bank Note Issued by F. Argenti & Company, San Francisco, 1850; F. Marriott, Sr.	297
First Home of Humboldt Savings Bank, San Francisco	329
Corner of Market and Powell Streets, San Francisco, 1866	335
Market and Post Streets, San Francisco, 1868	345
L. I. Fish; W. M. Hale	379
James Phelan; DeWitt C. Thompson; Milton S. Latham	383
Sigmund Greenebaum; Ignatz Steinhart; Philip N. Lilienthal	391
William Sharon; W. C. Ralston; William Alvord; Homer S. King	409
James G. Fair; William S. O'Brien; Louis McLane; John W. Mackay; James C. Flood	413
Looking East from Grand Avenue, near Fifth Street, Los Angeles, about 1880; Early View of Sixth and Main Streets, Los Angeles	477
The Old Crocker National Bank, San Francisco	487
Hibernia Savings and Loan Society, San Francisco	499

George E. Goodman; C. C. Bush; Lewis Jacobs 509
Staff of the Anglo-Californian Bank, Ltd., 1888, San Francisco; Temple Block, Los Angeles, Taken About 1890 517
Alvinza Hayward; John Temple; Herman W. Hellman; I. W. Hellman, Sr. 523

VOLUME II.

Page
Judge R. M. Widney; Ex-Governor John G. Downey; Major George H. Bonebrake 543
L. C. Goodwin; Jonathan S. Slauson; Russell J. Waters 547
Stoddard Jess; Jotham Bixby; W. A. Bonynge 557
I. N. Van Nuys; Interior, First Quarters of the Security Savings Bank & Trust Company, Los Angeles 567
A. E. Horton; Horton's Bank Building 575
Second Bank of San Diego; Commercial Bank of San Diego 579
Jacob Gruendike; Building of the First National Bank, San Diego, 1883 583
Francis Shattuck; A. W. Naylor; P. E. Bowles 607
Andrea Sbarboro; Officers and Directors, Farmers and Mechanics Bank, Healdsburg, 1883 637
Sixth and Hill Streets, Los Angeles, about 25 years ago; Run on All Night and Day Bank, Los Angeles 711
Alden Anderson; W. R. Williams; Charles F. Stern; Jonathan S. Dodge; J. Frank Johnson; W. C. Wood 729
Archibald C. Kains; James K. Lynch; John U. Calkins; John Perrin; Isaac B. Newton 855
Federal Reserve Bank, San Francisco 861
Clearing House Loan Certificates of 1907 887
First Officers of the California Bankers Association 937
R. M. Welch; Frederick H. Colburn 947
Paul B. Detwiler; Richard W. Hill; Stephen I. Miller, Jr. 957
Joseph Chapman, Jr.; E. V. Krick; P. R. Williams 967

CHAPTER I

CALIFORNIA, THE GOLDEN STATE

He who would write of California and do justice to its glories should be endowed with the talent of an artist, the imagination of a poet, and the adoration of a lover. Its wonders have been sung, described in poetry, and painted on canvas. There is no part of the world but has heard of and marveled at *California, the Golden State.* There is no part of the world but has met and known its offspring, the beloved "Californiac," that never tiring soul who longs "to get back to God's country," and who is never happy until he does return to his native haunts.

The story of banking in California, and of the long line of far-sighted men who have been the leaders in that phase of the state's development, has, I fear, never been adequately told. The names and the work of those men, to whom we owe so much, have been to a great extent forgotten. These volumes have been written with the single ideal of telling that story fully and fairly so that the financiers of the future may know something of the past and present and of the men who made big things possible in the development of the state.

It is difficult, even for those of us who have long resided in this wonderful territory, to visualize its size and extent. It is the second largest state in the Union, having an area of 99,617,280 acres, or 155,652 square miles. This represents the equivalent of all that territory occupied by the states of the Atlantic seaboard extending from Maine to South Carolina. It stretches along the greater portion of the western rim of the United States. In 1920 California had a population of approximately 4,000,000 souls, which placed it seventh in rank among the sister states. During the preceding decade its population had increased at the rate of 44.1 per cent, while that of the United States as a whole had increased at the rate of 14.9 per cent. It is estimated that California today has approximately 5,000,000 inhabitants.

California has the widest range of topographical and climatic features of any of our commonwealths. Mount Whitney, the highest mountain in the United States, rears its snowy peak 14,522 feet above the level of the sea. At the other extreme, Death Valley, the lowest point in the United States, whose burning sands lie 422 feet below sea level, records a temperature of 134 degrees Fahrenheit. In passing, mention must also be made of Mount Lassen in the northern part of the state, the only live volcano within the confines of our country. For practically all sections of California there are but two seasons—summer and winter. The summers are cool and as a rule without rains; the days are warm but the evenings ordinarily are cool enough to necessitate the use of blankets. Winters are normally short and cool with rains. For the most part the same weight of clothing and underwear is worn throughout the year. Sleeping out of doors the year round is the accepted practice.

California is known to the world as the Golden State because of the extensive gold production which characterized its early development. It still leads in the output of that precious metal, the total amount mined in 1926 being valued at $11,680,000. But it was not long before those hardy pioneers, who entered the state during the roistering, boisterous days of '49, realized that the resources of California were primarily of a character that warranted the development of agricultural activities. Consequently during the '50s large areas were planted to grains and still larger areas were devoted to grazing. During the '60s the extensive bonanza farms and grazing lands began to give way to the more intensive cultivation of vines and fruit trees, and then later of vegetables. In 1900 California ranked eleventh in the value of farm products, in 1920 fifth, and in 1925 second, surpassed only by Texas. This record is all the more surprising when one appreciates the fact that less than one-fourth of its total acreage is judged to be suited to agricultural pursuits. It should also be noted that in 1925 the total acreage under cultivation as compared with 1910 had declined by approximately 424,000 acres. About four and a quarter million acres are under irrigation.

In 1925 California produced more than five per cent of all the farm products in the United States. In that year it ranked first in almonds, apricots, figs, grapes, lemons, olives, oranges, peaches, pears, plums, prunes and walnuts. The largest fig and olive

VIEW OF SAN FRANCISCO

orchards in the country are located near Fresno, the largest peach and apricot orchard near Merced and the largest lemon orchard near Hamilton City. California produces practically all of the United States tonnage of canned and dried peaches. One-half of the cling peaches of the world used for canning come from the ranches lying close to Yuba City. More than ninety per cent of the grapes and pears, fifty per cent of the plums and nearly ten per cent of the peaches shipped as green fruit to consumers in the United States come from Northern and Central California. A fact not generally known is that the state produces over thirty-five per cent of all the fruit grown in the United States. From Fresno County comes the greater part of the raisins used by the world. Out of every eight tons of California fruit less than one ton is canned, one ton is marketed fresh, and more than six tons are dried.

Not only does California lead in the production of fruits, but it is also known for its valuable vegetable crops. In 1925 it was first in the production of asparagus, canteloupe, cauliflower, lettuce and spinach. Two-thirds of the asparagus and spinach output of the United States is raised in Central California.

In field crops California also tops the list for alfalfa, grains cut for hay and in the cotton yield per acre, 351 pounds of cotton being raised in California as against an average of 162 pounds for the United States as a whole. In the production of hops and dried beans, California drops to second place, and to third place in the production of barley, rice, tame hay, celery, tomatoes, and in sugar beet acreage.

In 1919, nine California counties ranked among the first nineteen counties of the United States in the value of crops and livestock products, while Los Angeles County stood at the top of the list for the entire country. Over eighty-two per cent of California farmers use electricity for lighting, pumping, or the operation of power machinery. In fact there is more electricity used on the farms of the state than on those of all other states combined. There are ninety-nine automobiles for every one hundred farms in California. More farmhouses are supplied with running water than in any other state.

The above record is interesting in the face of the fact that California is a young state agriculturally, and is still in a transition stage from dry farming and cattle grazing to intensive pro-

duction on small tracts. Another interesting phase of the agricultural situation is that the number of its farms increased almost sixteen per cent from 1920 to 1925, while during the same period the number for the United States decreased 1.17 per cent. From 1920 to 1925 the number of farms in California operated by owners increased from 87,580 to 109,654, while the number operated by tenants decreased from 25,141 to 20,046.

If California is still young as an agricultural state, it is still younger as a manufacturing community. Its growth as a factor in the industrial life of the nation dates from about 1890. The period of greatest development has been since 1909. In the latter year it produced $529,761,000 worth of manufactured goods and employed 115,296 wage earners. In 1923 the value of its manufactures had grown to $2,216,000,000 and the number of its wage earners to 264,975, a truly remarkable increase. Comparing its standing with that of other states in 1919 it is to be noted that with only three per cent of the population of the country, California ranked eighth in the value of manufactured products, eighth in value added by manufacture, eighth in cost of materials used, tenth in the average number of wage earners, fifth in the number of establishments, and sixth in the average wage per employee. The progress of the state in manufacturing has been greatly aided by its climate and by an abundance of natural resources. Workers do not have to combat extreme heat or extreme cold. Factory construction costs are lower because expenditures are unnecessary to protect against snow and freezing weather as elsewhere. The eight hour day and half holiday on Saturday are well nigh universally found throughout the state.

As to natural resources, one-fourth of the area of the state is in standing timber. California ranks ninth in the production of lumber. It produces one hundred per cent of all the redwood, forty-five per cent of all the white fir, and ninety-five per cent of all the sugar pine lumber in the United States. It surpasses all other states in the variety of minerals found within its borders. In 1923 California ranked first in oil, asphalt, borates, diatomaceous earth, gold, mineral waters, platinum, potash, pyrites, quicksilver, silica and sodium salts; second in natural gas; third in cement, and fourth in the total value of mineral products. California also has huge deposits of low grade iron ore which may later be developed by improved processes of smelting. In the

development and transmission of hydro-electric power its engineers have blazed new trails which the world has followed. The electrical distributing systems of the state are without equal anywhere in the world. Although California ranks first in hydro-electric development, it ranks third in total production of electricity by all methods combined. It has more homes wired for electricity than any other state, with the exception only of Illinois.

Passing now to other matters which are equally of interest, it may surprise many to know that California ranks first in commercial fisheries, third in the amount of building permits issued for the year ending June 30, 1926, fourth in total assessed valuation of property, tenth in assessed valuation per capita, fourth in the number of Federal income tax returns, fifth both in the amount of personal income taxes and corporation taxes, seventh in the value of government property, second in the total wealth per child, and fourth in total governmental expenditures. The San Francisco Stock and Bond Exchange ranks third in importance in the United States. During 1926 the total amount of securities sold on its floor amounted to $427,000,000. In foreign trade San Francisco is outranked only by New York as a home port for American ships. In total value of goods imported and exported, San Francisco occupies fifth place, while Los Angeles, which has been developing its port facilities for only about ten years, now ranks thirteenth.

Californians have always been an out-of-door people. Vacations are the common and expected thing for rich and poor, employer and employee, city folk and farmers. The mountains, rivers and extended seacoast, the extensive highway system, the city, state and national parks, and, not to mention the most important matter last of all, namely, a summer climate unspoiled by rains, all have made Californians lovers of the great outdoors. The state ranks fourth in the total sum expended for public recreation, fourth in the number of playgrounds, first in the number of motor camp sites, first in per capita ownership of automobiles (one to every three people), second in the actual number of automobiles, and third in the yearly investment in highways (California has approximately 6,300 miles of paved roads). The largest outdoor swimming pool in the world, the Fleishhacker Pool, is located in the Golden Gate Park of San Francisco. Of the fifteen cities in the United States recording lowest infant mortality rates, six are

in California. The state ranks fifth in appropriations for hospitals, charities and correctional institutions.

California is proud of its schools and universities. It ranked on a par with Massachusetts in 1920 when the Russel Sage Foundation made a study of school efficiency. The city high schools, the union (county) high schools, and the rural schools are the peer of any in the United States. The state leads in the proportion of high school graduates attending higher institutions of learning. California is surpassed only by Harvard College in sending students to attend the Harvard Graduate School of Business Administration. Out of 3,000 counties in the United States only 200 have county libraries; in California forty out of its fifty-eight counties are so provided. In total school expenditures California ranks third, although expenditures per child per school year are higher in California than elsewhere. Some years ago the nation was surprised to learn that the University of California was the largest in the United States on the basis of actual daily attendance of students on the campus. Today it has over 10,000 students in residence at Berkeley, not to mention the thousands who are registered in its affiliated schools and branches located in various parts of the state and in its extension classes. Mention should also be made of Stanford University, the University of Southern California, Redlands, Pomona, Whittier, the College of the Pacific, St. Marys, and Santa Clara, as well as a score or more of junior colleges and smaller sectarian schools.

But behind all this structure there stands, as it must stand, a strongly built, well conducted banking system. The story of banking in California dates only from 1848. Californians have been "hard money advocates" and by Constitutional provision from the very first forbade the issuance of state bank notes. During the Civil War they refused to permit the circulation of greenbacks, and it was not until the period of the World War that they evidenced any desire to accept any sort of paper money in payment of debts. The era of "hard money" in California has passed. Our banks at first were private banks. It was not until April 11, 1862, that the first statute was enacted permitting the incorporation of a banking business and then it applied only to mutual and stock savings banks. Later, however, commercial banks were allowed to incorporate. Bank reports and State bank examinations were unknown before 1878. In 1909 California passed its

first real banking statute, which since that time has been constantly revised and kept up to date. It is considered to be one of the best banking codes in the United States, making for safety and satisfactory banking methods. Since its enactment there have been but fourteen state bank failures and five of them occurred within a few months after the law of 1909 went into effect. On June 30, 1926, California had 357 state banks with total resources of $2,624,391,156, which placed it fifth in total resources of state chartered institutions. And, on June 30, 1926, it had 264 national banks with total resources of $1,043,878,000, which also gave it fifth rank. Among the first one hundred banks and trust companies in the United States having deposits in excess of $55,000,000 on December 31, 1926, fifteen were in California, and three of the latter were among the first twenty-five. As a result of mergers and amalgamations after that date one of the latter has become the third largest bank in the United States, serving more than 1,000,000 depositors. For the year 1926 the San Francisco Clearing House reported total clearings amounting to $9,799,768,682; the Los Angeles Clearing House reported total clearings amounting to $8,917,424,000, which figures give the two cities fifth and seventh places respectively among the clearing houses of the United States.

Year by year the banks of California have kept pace with the needs of our developing commonwealth. Bigger banks and better banks have resulted. New policies and practices have been initiated and have proved to be successful in operation. Vision has ever been one of the outstanding characteristics of the state's financiers. More and more has it been a case of western money for western industries. Many of our most important stock and bond issues are floated entirely within the state through the activities of our strong investment banking houses.

To the interested observer it appears, as Wiggington E. Creed, president of the Pacific Gas & Electric Company, has well said, that,

"California is on the line of march of momentous events. One can behold the vision of the future without rose-colored glasses. The course of man's progress has run from East to West. From its cradle in Asia, civilization swept westward across Europe, westward across the Atlantic, and now faces its beginnings on the Pacific, where the drama of the world's new developments

will unfold. Out of this meeting of Eastern and Western civilizations will come the greatest single stimulus to the evolution of California. Agriculture, industry, and trade will expand and in their turn sustain advances in education, science and art, provided our state policies are sound. The opportunity before the state is inspiring. It is bound to be the leader and representative of the nation in its contacts with Pacific peoples and to attain the eminence which its obligations impose and its opportunities afford, if we act intelligently. * * * *

"It is essential, if California is to enjoy its full share in the results of these movements, that facts and not prejudices or politics control and determine the formulation of our policies as a commonwealth. We must be ready for our opportunities, and will not be ready unless we hear the call for coöperation."

CHAPTER II

BEFORE THE ARGONAUTS CAME

As we look about today and appreciate what California means to us and to the world at large, we marvel that this wonderful portion of the North American continent lay for centuries neglected and practically forgotten as a dependency of Spain. Other sections of that nation's vast domain offered more alluring temptations to governmental officials as well as more glittering opportunities to soldiers of fortune and to settlers upon the land. It was not until several centuries had passed and both Russia and England had begun to evidence an interest in this westernmost portion of the continent, that the Spanish authorities made an attempt to secure a firmer foothold in this region.

Spain had had an abundance of experience in the subjugation of the Indian tribes of Mexico and South America. She had been fairly successful in that field because of her use of the Catholic Church and its missionary orders. The Church and its zealous priests, fired with religious ardor and enthusiasm, willingly blazed trails in the wilderness which were later followed by government officials intent upon the establishment of civil authority. In carrying out this policy of peaceful penetration, Spain made arrangements with the Church whereby funds and military protection were furnished to the padres who were to establish missions at well selected and advantageous points. The first mission in California, that at San Diego, was founded July 16, 1769, and from that date until August 25, 1823, twenty-one missions in all were placed in the most fertile valleys. For more than a half century the life of the Californians, Indians as well as whites, centered around those places of work and worship. The story of those outposts of civilization and Christianity has been beautifully told by others. We are concerned in these volumes only with the history of money and banking in California, and consequently must confine ourselves closely to our subject.

At first the economic activities of the territory, which were

essentially agricultural and pastoral in character, were carried on by the friars and their Christianized Indians in and about the missions. The labor of these poorly paid neophytes enabled the missions in time to accumulate a vast amount of wealth in the form of extensive herds and flocks, crops of various grains, and stores of simple hand-made articles. As late as 1834 de Mofras estimated that the missions possessed a total of 424,000 horned cattle, 62,500 horses and 321,000 sheep, pigs and goats, and that they annually raised about 70,000 hectares of wheat, corn, barley and beans.[1] With the passing of time, Spaniards and Mexicans filtered slowly into California, settling here and there on large government grants of lands, and establishing estates which in many cases were feudal in character. The owners, or *rancheros* as they were called, lived to a considerable degree not unlike the lords of olden days "When Knighthood was in Flower," surrounded by numerous servants and retainers and carrying on an extensive agriculture. It was not unusual for a *ranchero* to possess several thousand horses, ten to fifteen thousand cattle, and fifteen to twenty thousand sheep.

In spite of the marvelous, untouched resources of California, the territory seemingly made but scant appeal to the Spanish people. Spain, unlike England and France, lacked the proper colonizing material and consequently sent but relatively few of her people into the outlying regions. California was no exception to the general rule. It was also Spain's definitely announced policy to object to the presence of foreigners in her colonies and, so far as possible, to refuse to allow them to engage in trade with her subjects. This accounts for the small number of whites in California during the early years. Humboldt estimated that in 1801 there were only 1,300 whites in the territory,[2] although Bancroft claimed that there were at least 2,000 in 1800.[3] The majority of those early settlers were army and navy deserters and shipwrecked sailors. Even after California had been ceded to Mexico in 1822, opposition to the immigration and activities of foreigners continued, as a consequence of which the white popu-

[1] E. Duflot de Mofras, Exploration du territoire de l'Oregon, des Californies et de la Mer Vermeille, etc. 2 Vols. Paris, 1844, vol. 1, pp. 320-321.

[2] Alexander Humboldt, Political Essay on the Kingdom of New Spain, 4 vols., London, 1814, vol. II, p. 308.

[3] H. H. Bancroft, History of California, 7 vols., San Francisco, 1886-1890, vol. II, p. 158.

JOHN C. FREMONT

The man who named the "Golden Gate."

COMMODORE R. F. STOCKTON, U. S. N.

After whom the city of Stockton was named.

GENERAL PIO PICO

Last Mexican Governor of California.

When Commodore Stockton, of the United States Navy, joined by Captain Fremont, U. S. N., entered Los Angeles on August 13, 1846, General Pico retired to his ranch nearby and four days later this territory was proclaimed part of the United States.

GENERAL VALLEJO

For whom the city of Vallejo was named. Vallejo was made the capital of California in 1850, the legislature convening there January 5, 1852.

lation increased but slowly. T. B. King in his volume, "California, Its Population, Climate, etc.,"[4] placed the number at 4,000 in 1830. By 1846, however, the white population according to Tuthill had increased to 15,000.[5] It was not until the later '40s that California was opened to unrestricted settlement.

A people dominated solely by pastoral and agricultural activities have but little occasion or need for the intricacies of trade and commerce or for the institutions of money and banking. Lapérouse, in writing of his voyage around the world in 1785-1788, said of the California of that time that, "There is very little occasion for money in a country where there is nothing to be purchased. Beads are the only money of the Indians."[6] The missions were practically self-sufficient; so were the large ranches. The few things that were not or could not be produced were obtained from smugglers and traders through the process primarily of bartering, although on rare occasions resort was had to the use of Spanish or Mexican money. The mission fathers were quite willing to countenance the activities of the smugglers, and so were even the officers of the Spanish government. Captain George W. Eayres, whose vessel was searched by the civil authorities in 1813 because he had been accused of smuggling, declared that he had only "provided the priests with what they required for instructing the natives and for the ceremonies of religion;" that the padres had paid him in provisions and some otter skins; that he had clothed many who would otherwise have gone naked; and that they had given him in return only the products of the soil.

Many of the memoirs of the travelers and traders, who knew California in the days of the mission fathers, mention the widespread practice of using tallow, hides and California sea otter skins as media of exchange in trading operations of all kinds. One of the most interesting commentaries on financial affairs in California before the coming of the Argonauts is contained in the autobiography of W. H. Davis, entitled "Sixty Years in California."[7] As captain of the "Eagle," Davis visited California in 1817 and landed at Refugio, twenty miles west of Santa Barbara.

---

[4] London, 1850, p. 24.
[5] F. Tuthill, History of California, San Francisco, 1866, p. 153.
[6] J. F. de G. de Lapérouse, A Voyage Round the World in the Years 1785, 1786, 1787 and 1788, 3 vols., London, 1798, vol. II, p. 231.
[7] San Francisco, 1889.

He states that on that particular occasion hides and tallow were not accepted by him in payment for goods sold, "but that the rancheros and priests brought with them bags of Spanish doubloons and paid for their purchases in coin or in sea otter skins, which were then plentiful."[8] A sea otter skin was valued at from $80 to $100 in China and consequently was most acceptable to the traders in return for their goods. In August, 1833, on another trip along the Coast, Davis sold a quantity of goods to the missions of Santa Clara and San Jose. The goods were sent to "what is now Alviso landing, for which" he "received in payment hides, tallow, furs, and some coins—Mexican and Spanish doubloons."[9] Hides were "commonly known as 'California bank notes' along the coast and generally averaged $1.50 or $2 in value."[10] When in turn the missions sold goods to the *rancheros* they were paid in hides, tallow, furs, cattle and sometimes, but not often, in gold or silver coins. The mission fathers had no strong boxes in which to keep their coin and other valuables, so they customarily concealed their treasure under the tile floors of their rooms. It was not unusual for them also to receive coin from their parishioners for safe keeping. The first iron safe in California according to Davis, was one which was brought to Santa Barbara in 1846.[11]

Naturally there were no credit institutions in California (banks came into existence with the gold rush), so that it was the practice for the missions, when necessary, to borrow from one another in terms of hides and tallow in order to obtain the wherewithal with which to make the necessary purchases from the traders. Davis tells of a transaction "which showed that the missions acted in unison with each other." He had sold some goods to Father Mercado of the Santa Clara Mission in September, 1844. The latter provided him with a letter addressed to Father Muro of Mission San Jose, requesting that he (Davis) be given two hundred hides in order to complete the payment. Davis states that "I had not pressed the matter at all; but he (Mercado) said it was the same as if he had paid for them himself."[12]

In all business transactions, the *rancheros* had the reputation

---

[8] Davis, p. 296.
[9] Ibid, p. 10.
[10] R. G. Cleland, A History of California, The American Period, New York, 1922, p. 45.
[11] Davis, p. 297
[12] Ibid, pp. 591-592.

of paying their bills promptly, "in hides and tallow, which were the currency of the country, and sometimes, although seldom, in money."[13] They had little or no coin, but they usually had an abundance of cattle, horses, tallow and hides, all of which served as fairly satisfactory media of exchange and amply took care of their ordinary needs. Horse racing was a common sport, and bets were made in terms of either cattle or horses. At times a hundred or more head of cattle would be bet on the outcome of a single race. When that doughty old California pioneer, Captain John Sutter, purchased the buildings and equipment of the Russian Company at Bodega and Fort Ross for $50,000, he agreed to pay in terms of wheat, soap, and furs in yearly installments for five years, "the purchase including several thousand cattle, horses and sheep."[14] As late as 1847, payments for various services were made in terms of cattle. One who was later a banker in California declared that in that year he had seen a physician's account book in which the following item was entered: "By two cows in full."[15]

With the passing of time and with the increased demands of trade and commerce, coins came into more common use. About 1840, acording to Davis, "The coin generally used by the merchants was Spanish coin and Mexican doubloons (gold); also American gold coin. Silver money of Mexican, Peruvian and United States coin was likewise in circulation."[16] In describing the details of a trip which he made up and down the California coast in 1846, he tells of having landed at Santa Barbara and of having been visited by Captain Noriega, the wealthiest Spanish *ranchero* in that vicinity. Davis sold him about $10,000 worth of goods for which Noriega paid in coin. Again, when Davis returned the next year he sold Noriega about three or four thousand dollars worth of goods for which he received payment in cash and hides. Noriega was accustomed to make numerous loans to the neighboring *rancheros*. They were made on promises to pay in beef cattle at killing season, or in heifers, or in hides and tallow after the cattle had been killed, the lender taking only the borrower's word as security.

Davis also states that in this early period he never saw any of

[13] Ibid, p. 102.
[14] Ibid, p. 25.
[15] J. H. Gihon, J. Nisbet and F. Soulé, Annals of San Francisco, New York, 1855, p. 513.
[16] Op. cit., p. 223.

the paper money (state bank notes) which at that time was the ordinary medium of exchange in the eastern part of the United States. In fact, as our story proceeds, we shall see that up to within the last few years, California has been content to remain upon a "hard money basis."

CHAPTER III

"THE DAYS OF OLD, THE DAYS OF GOLD, THE DAYS OF FORTY-NINE"

Although California was ceded to Mexico in 1822, it had but little in common with the mother country. With the passing of time nothing was done to develop its boundless resources or to tie it more closely to the home government. As more and more immigrants from the East struck out across the plains and mountains and settled in its glorious valleys, or as they came into the territory on the waters of its expansive harbors, it soon became apparent that it would be but a matter of time before California would separate from Mexico and become a nation by itself, or possibly be forcibly taken away and made a dependency of some other country. France, England and Russia were all concerned in its future and would undoubtedly have attempted to annex a part or all of it had they not feared the consequences of a war with the United States.

As early as 1812, Thomas Jefferson suggested the advisability of a union of Oregon and California. Later it was proposed that these two territories unite and form a separate republic. Texas also considered the possibility of annexing California, but finally gave up the idea because the latter was too sparsely populated and of too great an expanse to be governed by the Lone Star Republic. It is not strange that England was vitally interested in the region for she looked with greedy eyes upon the wonderful harbors dotting the coast line which might well have served as places of refuge for her war vessels and her merchant marine. At one time a proposal was even made that Mexico should cede California to England in return for the cancelation or the guaranteeing of a certain debt incurred by the former in 1837. It was the fear of English seizure that prompted Commodore Jones to raise the American flag prematurely at Monterey in 1842. During the administrations of Jackson and Polk, several unsuccessful attempts were made by the United States to purchase

California from the Mexican government. After years of controversy our nation declared war against Mexico, May 13, 1846. On July 7, the American flag was raised at Monterey, on July 9, at San Francisco and Sonora, and on July 11, at Sutter's Fort. The reader, if interested, will find many excellent volumes dealing with the history of California which will enable him to trace the story of the American conquest more fully than can be done in this study of the development of its monetary and banking institutions. It suffices for our purpose to state that by the treaty of Guadalupe Hidalgo, signed February 2, 1848, California at last became part and parcel of the United States.

Tales dealing with the glories and wonders of the new territory had been published from time to time in the eastern newspapers and magazines, but had it not been for a most unexpected occurrence, i. e., the discovery of gold by James Marshall, many decades would have passed before the territory would have been even partially settled and developed by the Americans. The mission fathers and some of those who had traded up and down the coast in their sailing vessels had long been aware of the fact that gold deposits existed somewhere in California. From the earliest days of the padres, Indians had brought in small amounts of the yellow metal, which they had exchanged at the missions for supplies. Davis, one of the traders, speaks of having been acquainted with the fine scale gold dust which had come from the San Fernando mines in the Los Angeles district. But it was the accidental discovery of the golden flakes by James Marshall while erecting a sawmill for Captain John Sutter at a point on the American River, known as Coloma, that thrilled the world and brought about great economic and social changes which had widespread effects not only upon our own country but also upon other nations as well. Marshall made his find on January 24, 1848, a little more than a week before California was ceded to the United States.

R. G. Cleland,[1] in his volume, "A History of California; the American Period," makes the interesting comment that considering all the circumstances the discovery of gold

"is one of the strangest facts in California history. The Spanish who conquered Mexico were among the most indefatigable miners the world had ever seen. For more than two centuries after the landing of Cortes, the history of New Spain was largely the history

[1] New York, 1922, p. 226.

SAN FRANCISCO'S FIRST CUSTOM HOUSE, ON THE PLAZA

In 1844, the Mexican Government authorized the building of a Custom House at San Francisco, or Yerba Buena as it was then known. The building stood in the northwest corner of the Plaza (Portsmouth Square) with its front to the Plaza and its north end to Washington Street. Later the building was used by the Alcalde and the revenue officers and as law offices. In July, 1850, Palmer, Cook Co. had their banking office in the south end.

RAISING THE BEAR FLAG OF THE CALIFORNIA REPUBLIC

On June 14, 1846, the Bear Flag was raised in Sonoma, marking the attempt to establish a California republic.

of men 'interested in the saving of precious souls or of men interested in the discovery of precious metals.' From Mexico City northward to Nuevo Leon and Chihuahua, westward to the Pacific, northwestward to Sonora, New Mexico, and Arizona, the *conquistadores* and their descendants prospected for gold and silver, joining in the hectic excitement of one mining rush after another, and exploited a thousand rich deposits discovered by their industrious and never failing zeal.

"Why these same people, so successful and zealous as miners in Mexico, failed to find the vast treasure of the Sierra Nevada, which Nature made almost no attempt to conceal, will always remain a curious problem."

In a surprisingly short time the news of Marshall's discovery reached San Francisco, but for some reason it did not arouse any interest among the inhabitants of that city until practically three months later. As time passed and as bags of gold dust reached the straggling settlement beside the Golden Gate, the people became increasingly excited, and by May and June the rush from all points within the state was fairly under way. Stores and offices were closed, houses boarded up, professions abandoned, and farms and crops left to the mercy of the elements as everybody who could get away rushed pell mell into the diggings. Reverend Walter Colton, who was in California at that time, writes that[2] "The blacksmith dropped his hammer, the carpenter his plane, the mason his trowel, the farmer his sickle, the baker his loaf, and the tapster his bottle. All went off to the mines, some on horses, some on carts and some on crutches, and one went in a litter." Property values fell to extremely low figures, but high prices were paid for mining tools and provisions. Stories concerning the remarkable discovery were carried to the Hawaiian Islands and thence to all points on the Pacific Ocean. In October, immigrants from Oregon, South America and the Pacific Islands began to flock through the Golden Gate.

In June, 1848, James Buchanan, then our secretary of state, was officially informed by the Federal officers stationed in California that gold had been discovered, but it was not until late in the summer of that year that the story was spread throughout the eastern states by newspaper articles and by letters sent east by the Californians themselves. Then in almost every hamlet and town east of the Rocky Mountains preparations were made

[2] W. Colton, Three Years in California, New York, 1852, p. 247.

by large and small groups for the long journey overland or by sea to "California, the Golden." The Mexican War had just ended. Thousands of adventurous young men, back from the front, were eager and straining for excitement. California provided the needed outlet, and by land and sea they came in motley hordes, across the plains in wagons and on horseback, and by water in vessels of all descriptions. It is estimated that 77,000 immigrants entered the state in 1849 and 91,000 in 1850. During the years 1851, 1852, 1853 and 1854, the number of gold seekers arriving by sea was respectively 27,000, 66,000, 33,000 and 48,000. In 1853, 55,000 came by land, although during that year it is estimated that 31,000 returned by water to their former homes.

Few of the newcomers remained longer in San Francisco than was necessary. As soon as they had obtained a miner's outfit they made their way into the gold fields by any available method of transportation. Once in the diggings, no skill or ability was required to do a miner's work. All that was needed was physical strength and a paying claim. A day or two in the placers made the inexperienced farm hand as proficient as the oldest prospector. Earnings varied greatly, averaging from $10 to $30 a day, although it was not unusual for a lucky strike to be made which netted from $500 to $1,000 in a day's time. A few fortunes were made, but most of the gold seekers returned home poorer than they had set out.

The life of the times naturally lacked stability. Miners rushed hither and thither as the placers gave out or as rumors floated about regarding the discovery of some new bonanza. The population shifted constantly from one region to another. Cities of tents and shacks were made or unmade in a day. Nothing was permanent but the desire to possess gold. In a relatively short time, however, the situation changed greatly. The placers gave out and were succeeded by hydraulic mining with its costly flumes and canals. In time, it too was displaced by the advent of quartz mining with expensive shafts, stamp mills, smelters, and companies employing large numbers of men. Individuals and partnerships were succeeded by corporations with great aggregations of capital. The roistering, boisterous days of gold, the days of '49, were no more.

One cannot read the accounts written by or about the early California pioneers without experiencing a thrill. The strong,

JAMES MARSHALL
DISCOVERER OF GOLD IN CALIFORNIA.
McCURRY

sturdy, rough, adventurous characters that flocked into the state in 1848, 1849 and 1850 in search of the golden fleece were at best a motley crowd. No type of humanity was lacking, "good or bad, high or low, young or old, white or colored, learned or ignorant," cultured or uncultured, "all united in one desire in a new country far from home without a vestige of civilization around them! No schools, no churches, no newspapers, no laws, no dwellings, no wives, no homes!" The population could not be otherwise than of an extremely floating character, moving about here and there as the placers gave out and as new deposits were discovered. Tents, log cabins, and rough board shacks housed the few mercantile establishments and supply houses that followed the miners into the new regions. Marysville, Placerville, Sacramento, Stockton, Sonora, all early became centers of intense activity. San Francisco, the port of entry, was popularly known as "The City," because it was the only largely populated community in the state. Los Angeles remained a sleepy trading post far removed from the beaten track, surrounded by extensive grazing ranches and concerned primarily with cattle, hides and tallow.

The conditions that existed at that time did not make for the establishment of banking institutions such as were commonly found in the eastern states. There were no Federal, State or corporation bonds, no easily recognizable real estate values, no reliable mercantile credit, nothing in fact to serve as a satisfactory basis for the trading in credit which is so necessary a part of banking activities. Trafficking in gold dust dominated all channels of finance. It was the one universally sought and universally valued commodity, and was bought and sold, held for safe keeping, or exported. Most of the newcomers were strangers to each other. Nothing was known and little was cared about past careers or former reputations. If money were loaned to a stranger today, when the note fell due he might be miles away in another mining camp, impossible of access or discovery, or he might even have returned to his eastern home. Consequently when loans were made, they were usually more than amply secured. Interest rates were exorbitantly high. California was no place for financiers trained in the banking customs and practices of the more settled communities.

In spite of the unusual and extraordinary conditions that existed, it is amazing to realize the extent to which honesty pre-

vailed among the miners of 1848 and 1849. Although drinking and gambling flourished, honesty was a dominant factor in the every day life of the miners. The memoirs of those who knew the conditions of the times tell us that in the first years of the gold rush, pounds and pints of gold were "left in tents and cabins or thrown down on the hillside or handed about through a crowd for inspection." "Gold was left in pans and rockers while the miners went to their meals, and gold remained safe and untouched in their canvas tents while the miners were away at work on their claims." Judge C. F. Lott, in his reminiscences of California in 1849, states that on "one occasion in company with others he saw a pan with not less than one thousand dollars worth of gold dust in it near the trail along which they were riding, and in plain view of the trail. Nearly a week later he passed by the place for a second time and the pan and its contents of gold dust remained untouched, although many men had passed along the trail during the week." According to Charles Howard Shinn, the author of "Mining Camps,"[3] this practice of letting gold dust lie around unguarded "was undoubtedly due in part to the ease of acquiring it. It was certainly easier to earn money than to steal it, but it was also infinitely safer."

By 1850, however, the situation had changed due to the influx of the criminal elements from all parts of the world. Thereafter, thefts were of common occurrence, but the guilty ones, when apprehended, were ruthlessly punished. Jacob W. Harlan in his memoirs[4] speaks of an incident that occurred when his party was crossing the San Joaquin River at Bonsell's Ferry. He says:

"In many ways Bonsell was a good man, but he was a terrible fellow when hostile. He had just finished hanging six men from the limb of a tree. The bodies had been cut down but a few minutes before our arrival. The men were hanged for having stolen 130 head of cattle from Livermore. I asked Bonsell how much would be the ferriage for our wagon and two yoke of oxen. He said his regular price was $150, but to me as an old friend it would be $100. I paid him the latter sum all in silver. He took it in his big hand, and in careless manner threw it into an open flour barrel that stood beside his tent, and was nearly full of silver coin. I remarked to him that it was rather unsafe to leave his

[3] New York, 1885, p. 119.
[4] California, San Francisco, 1888, pp. 141-142.

FIRST POST OFFICE, SAN FRANCISCO, 1849
Showing site of building where Bank of Italy opened for business, 1904.

HANGTOWN
Early mining camp, now Placerville, California.

money in that way for any one to help himself. He pointed over his shoulder with his thumb to the limb from which the six bodies had just been cut down, and said that limb was his remedy; that about a month previous he had hanged three other men for horse-stealing; that evildoers had got to knowing him, and there was no danger of their taking money or anything else from him."

Following 1850 it became the practice of miners to hide their mineral wealth under logs, in receptacles about their cabins, or in various other places on their claims. But, according to George C. Mansfield, the author of "The Feather River in '49 and the Fifties,"[5]

"* * * The attempt to conceal the gold was more perilous than it was when left exposed to the public view, as is witnessed by the amusing experience of one miner in the Berry Creek section. The Butte Record tells the story as follows:

" 'A hombre who has been in the employ of the Berry Creek Mill Company during the past year, buried some $500 for safe keeping. Having recently to use his change, he went to his place of deposit, but could not find his money. The squirrels had struck a pocket and being prudent creatures, had made a division and removed it to various holes and hiding places in sums to suit their idea of wealth and importance. One avaricious old rascal had deposited $200 in one place, placing it all up edgewise with the greatest care.

" 'After about two weeks' search the owner succeeded in finding $340 of the original $500 and then sold the claim for $30 to some lucky hombre, who had discovered another deposit. Perhaps he will hereafter heed the practical lesson given by the squirrels, and keep his money in circulation.'

"It was not unusual for the early miners to make a safe of some tree near their claim. One of these was discovered near Bangor in 1892. A woodchopper there was cutting down trees for firewood. He noticed a peculiar scar on one of the trees, and having heard that the early miners sometimes cached their treasure in trees, he carefully cut into the pine.

"He found an old hole in the tree that had been overgrown with bark. Within this hole was a tin box filled with gold dust and nuggets.

"A general prospecting of the trees of that neighborhood followed, but without results."

It was not unusual for the miners in a district to pick out some man of outstanding character in whom they had confidence

[5] Oroville, California, 1924, p. 28.

and to leave their gold dust and nuggets with him. Gallant D. Dickinson at Mokelumne Hill was such a man. "He became their adviser and counsellor, and cast a splendid influence over the camp life for peace, orderly conduct and sobriety. He soon became the banker of the miners. The vault of his bank was an excavation a yard square, under the bed occupied by himself and Mrs. Dickinson; its compartments were buckskin bags, and the time-lock was a revolver of large caliber. The buckskin bags were tied with string, and none was received unless labeled with the name of its owner. No security was given. The vigilante was the law of the camp, and an era of peace and good order, and a feeling of mutual confidence, existed during the entire period of Mr. Dickinson's stay in camp, which was terminated by his moving to Stockton in 1849, then a city of tents."[6]

Quite customarily, however, each miner carried his own gold dust in a belt made of strong buckskin, varying from two to four inches in width, with an opening at one end. This belt was fastened around the body at the waist, thus distributing the weight of the gold dust rather evenly. Miners were known to have carried as much as $15,000 in a belt of this character.

Miners had abiding faith in each other regardless of whether or not their acquaintance was of long standing. It was not an unusual thing for them to hand large amounts of gold dust to strangers or to chance acquaintances who were on their way to San Francisco, Sacramento or Stockton, with the request that the treasure be left to their credit with certain parties or that exchange on some eastern center be purchased and forwarded to a designated address. During these first few years of the gold rush there were but few instances of such confidence in humanity being misplaced.

In many of the outlying diggings where the life of the times was extremely uncertain and unstable, there were no stores or merchants of any consequence. The merchants in the larger towns were, therefore, soon asked to provide a means for the safe keeping of the gold dust of the miners, who either brought it in or sent it in by friends or strangers. Any merchant who possessed a safe was called upon to keep sacks or funds belonging to his customers, and quite frequently to pay out certain amounts

[6] A. G. Andresen, First brick house in California and its owner, *The Grizzly Bear*, November, 1914.

for the owner upon written or oral request. Sometimes he mingled these funds with his own, making use of them as needed in his business, but expecting to be able to meet any orders drawn on him or to return the funds to their owners when demanded. Sometimes the depositor would be allowed a small rate of interest; other times nothing would be paid. Davis, in his interesting "Sixty Years in California," states that "I have unintentionally omitted to narrate the manner in which the merchants generally kept their gold. Among the receptacles for the gold dust were tin pans, tin pots and also a vessel used as a piece of furniture for the sleeping apartments. The bright metal was placed in those after being weighed, and a tag attached on which was marked the number of ounces."[7]

This practice of using the safes of merchants as strong boxes for the safe keeping of gold dust, money and valuables continued down through the '60s, especially in the more outlying communities which were not provided with banking facilities. Some of the merchants in San Francisco whose stores were equipped with safes, in which were kept the deposits of customers, were Ward & Company, W. H. Davis, Mellus, Howard & Company, Dewitt & Harrison, Cross & Company, and Macondray & Company. Davis states that in the summer of 1849 he had in his safe between $100,000 and $200,000 in doubloons and gold dust belonging to his friend Aguirre.[8] At Sutter's Fort and at Sacramento, the principal houses of deposit were at first those of S. Brannan & Company, Hensley, Reading & Company, and Priest, Read & Company. Other firms, to be mentioned in subsequent pages, were later in the field. The presence of these extra funds kept by the merchants made their stores more likely to be the objectives of robbers, as a consequence of which depositors frequently suffered serious losses. As late as August, 1866, the store of Moore & White in Todds Valley was robbed of $11,000, which belonged almost entirely to customers who had left their funds with the proprietors for safety and convenience.

In later years it was not unusual for the members of various coöperative associations to leave their extra funds in the office of the latter for safe keeping. Thus in March, 1873, the farmers

[7] P. 638.
[8] Op. cit., p. 524.

living near Yuba City formed a wheat shipping association, The Farmers' Coöperative Union of Sutter County. There was no bank in the district, and at the end of each season they customarily left the receipts of the year's crops in the safe of the office until they personally withdrew them or gave written orders to have them paid to their various creditors. The association continued to act in that capacity until 1912, when it was decided to organize the Savings Bank of Sutter County and the Sutter County Bank (later the First National Bank), both of Yuba City, and to transfer all financial operations to those institutions.

During the early years of the gold rush there was no outstanding instance of any firm doing what is ordinarily designated today as a banking business. There were of course some private money lenders. Merchants commonly advanced funds under various conditions to those in need thereof. Many also bought and sold gold dust and frequently made large profits from such transactions. At first the price of gold was so low in California that it could be purchased, shipped to Philadelphia or New York, assayed, sold, and made to yield an excellent return to the dealer. Subsequent developments, as will be noted later, interfered with this practice, and brought about the closing of some of these so-called "banking houses" and the withdrawal of merchants from that activity. With the great influx of gold seekers, there naturally arose a demand for goods and supplies, which were shipped in from the four corners of the earth. Importers and commission merchants had to pay their eastern and foreign obligations; miners had to remit funds to their families and relatives; and as a consequence a large number of firms and individuals became exclusively or primarily exchange dealers, while others merely added that activity to those in which they were already engaged. It was possible to purchase exchange on practically any financial center of the world through dealers in San Francisco, Sacramento, Stockton and Marysville. Thus it was that the first banking houses of California were those firms that held deposits of money and gold dust for their customers, bought and sold gold dust and gold bars, loaned funds, dealt in exchange drawn on banks, bankers and merchants at home and abroad, or carried on any combination of those kinds of activities.

The first advertisements of California merchants announcing themselves as dealers in gold appeared on May 24, 1848, in *The*

Californian, a San Francisco paper edited by Edward Gilbert, later the first congressman from California. They were as follows:

Gold Gold Gold.
Cash will be paid for
California Gold by
B. R. Buckelew
Watch Maker and Jeweler

GOLD GOLD GOLD
Messrs DICKSON & HAY are
purchasers of Sacramento Gold
A liberal price given.
BEE HIVE.

One of the earliest companies in the field was that of Mellus, Howard & Company, traders and storekeepers in San Francisco, which as early as May 27, 1848, advertised in the *California Star* of San Francisco as follows:

"The highest market price will be paid for GOLD either Cash or Merchandise."

On October 7, 1848, C. L. Ross, a San Francisco storekeeper, advertised in *The Californian* that he would accept "Placero gold" at $16 per ounce. A few months later (December 16) it was selling for $10.50 per ounce. C. V. Gillespie, a San Francisco merchant located on Portsmouth Square, inserted the following advertisement in the San Francisco *Star and Californian* of December 9, 1848:

"Wanted: Gold Dust at a high rate of interest for which approved security is offered."

He also notified the public that loans would be "negotiated in Gold Dust for both long and short time, interest payable monthly, quarterly or with the principal at maturity of engagements."

Colonel Jonathan D. Stevenson, who had brought a New York regiment to San Francisco in 1847 to take part in the Mexican War, was one of the early prominent gold brokers in San Francisco. Daniel Sutter, in the *Grizzly Bear* of October, 1911,[9] tells an interesting story of how financially successful Stevenson had been following his arrival in California and how that fact aided

[9] P. 7.

Stephen J. Field, later a prominent member of the State Supreme Court, and also of the United States Supreme Court, to secure a start in the New Eldorado. Field arrived in San Francisco on December, 28, 1849. Upon disembarking he noticed a crowd standing before a small building near the Plaza and upon investigation,

"* * * found the cause to be a courthouse, with a case on trial. To his astonishment, he saw two fellow passengers, who had landed the night before, on the jury. They had been summoned by the sheriff to serve, and received eight dollars each for their services. With the solitary dollar in his pocket, he lingered around the courthouse, hoping to be summoned, but no such luck was in store for him. He then walked down Clay Street to near Kearney, when his attention was attracted to a large sign, 'Jonathan D. Stevenson—Gold Dust Bought and Sold Here.'

"This was good luck to Field, as upon leaving New York, his brother, Dudley, had handed him a note of the colonel's for $350 or $400 to collect. He stepped into the store and the colonel was delighted to see him and soon commenced talking about the country. 'Ah,' he said, 'it is a glorious country. I have made $200,000.' Field, with the solitary dollar in his pocket, told him he was delighted to hear of his good luck, shook him twice by the hand, and while the colonel was still dilating upon the magnificent country and the grand opportunities for making money, Field pulled out the note and asked for payment. He says: 'I shall never forget the sudden change from wreaths of smiles to an elongation of physiognomy, expression of mingled surprise and disgust, which came over his features on seeing that note.' After careful examination, Stevenson admitted its validity and paid him $440 in Spanish doubloons. If it had not been for that lucky incident, Field would have been penniless that night."

Stevenson & Company, later Stevenson & Parker, in which Colonel Stevenson was a partner, was located in the Alta Building, Portsmouth Square and Commercial Street, and continued in business as "Brokers, Dealers in Gold Dust, City and County Securities" for some years. I find mention of the firm as late as November, 1851. The company also sold exchange on the principal cities of the world and made a practice of lending money at "advantageous rates" (to quote from one of its advertisements).

As we shall see from subsequent pages, there were many firms engaged in buying and selling the yellow metal in the early days of the gold rush. Some made it their sole cause for existing, while others, and these were by far the more numerous, carried it on

merely as a side line to their merchandising, importing, exporting or banking activities. At first it was a very profitable business. James King of William, who was among the first to establish a banking house in San Francisco, wrote that in 1849 his company had "often refused to buy clean gold dust at $8 per ounce. But the steamers from Panama, and sailing vessels from different ports, brought coin, and 'banking' in California was commenced by buying and selling gold dust, receiving deposits and paying out on checks; and whilst the scarcity of coin continued, the checks were made payable in 'coin and gold dust'." Later on, however, "Gold dust passed in account in all commercial transactions at the rate of $16 per ounce. The bankers received and paid it out on account at that rate, but took it in exchange for coin at about $15.50. So that on every $15.50 of coin received on deposit and for which they paid out dust at $16 per ounce, the banker gained fifty cents, or a little more than six per cent—a very handsome profit even for the 'flush times' of California."[10]

But no such source of profits was enjoyed by the San Francisco bankers to any extent after 1850. According to King, "In '49 and '50, almost anybody could buy gold and make money by it. * * * In the early part of '52, after repeated trials of dust, selected with all the care we could bestow, we found it a losing business, and were compelled to give it up." The *Bankers Magazine* of New York in July, 1852, quotes the San Francisco *Christian Advocate* to the following effect:

"While gold dust was bought at $16 the merchants universally shipped it for remittances; and the miners sent it home by express. At that price it was no inducement for the miner to be particular to wash out all the dirt, and when this fact was generally ascertained through the mines none but poor dust came down. This soon cured itself; good dust commanded a premium.

* * * *

"Remittances are now [1852] made [by miners] by drafts almost exclusively,—the bankers shipping the dust; by arrangements with the steamship company they are enabled to ship at better rates than individuals.

"They ship and insure hence to New York at from 3½ to 4 per cent, and the premium on the draft is expected to cover all expenses on the dust. Gold dust will not average at the mint over $17.80 to the ounce, and when clean dust is bringing $17.50 here,

[10] *Evening Bulletin*, San Francisco, December 29, 1855.

the bankers have but a small margin for the risk. While merchants and bankers were indiscriminately bankers, brokers, and merchants, there was but little regularity, and many found themselves frequently deceived in the quality of gold dust. In fact, we know of one instance where a leading house engaged on joint account with a Baltimore banking-house in buying gold dust, and after shipping seventy-five thousand dollars, the net profits were ascertained to be one dollar each."

In a very few years the gold dust trade grew to be a business all by itself, participated in primarily by the large express companies and a few banking houses that made it their specialty. Commission merchants and others who had dabbled in it to some extent were forced to retire and leave the field to those who were really expert and were adequately equipped to handle the trade in a satisfactory manner.

There is considerable doubt as to when and by whom the first banking house was established in San Francisco. The *Mercantile Trust Review of the Pacific*[11] in its issue of June 15, 1924, contains an excellent article embodying the results of extensive research entitled "Banks and Banking in California in the Fifties; Early Legislative Problems." In the course of the article it is claimed that some believe that

"Robert A. Parker, subsequently mine host of the famous Parker House, was the man who seized the earliest opportunity. Parker ran a store in an adobe house on Dupont Street in 1848, and very possibly combined a little primitive banking with his other business. That there was a Parker's Bank, so-called, in 1848, there can be little doubt. But it may be that the establishment was thus named because Parker was the individual to whom the miners confided the keeping of their gold, or with whom they traded it for money before the great rush of 1849 began. Anyhow in April, 1848, Parker moved from his adobe store to his new store, 'opposite the Portsmouth House,' on the north side of Clay Street east of Kearney, and history relates that free drinks were served on the occasion that his sign was put up. In July he became lessee of Brown's Hotel on the southwest corner of Clay and Kearney streets facing the Plaza, at a rental of $2,000 a month and thereafter from 1849 to 1851 was at the Parker House; so that any banking business he engaged in was prior to April, 1848."

Parker, a native of Boston, arrived in San Francisco in March,

[11] San Francisco, p. 120-128.

HENRY M. NAGLEE
Of Naglee & Sinton Bank.

MINERS EXCHANGE BANK
San Francisco, 1856.

1847, as supercargo on the ship Mt. Vernon. He established a general merchandise store, and in 1848 also entered into partnership with J. C. Leighton and W. F. Swasey to engage in the wholesale importing business. During the days of his prosperity he was reckless to a fault in assuming financial obligations and in spending his wealth. It is said that upon the arrival of the first steamer in 1849, he scattered two or three thousand dollars worth of gold dust up and down Clay Street, which was soon lined with newcomers washing it out. "It was from them that the news was sent East that gold was found in abundance upon the streets of San Francisco." His recklessness finally led to financial embarrassment and ruin, his misfortunes culminating in 1851. Thereafter ill luck seemed to pursue him relentlessly. He died at San Diego, October 21, 1865.[12]

Some claim that Dr. Stephen A. Wright's "Miners' Bank," established presumably towards the close of 1848, was the first banking house to enter the field. It was the outcome of the exchange brokerage business started by Wright & Company some time, so it is surmised, during 1848. We know that in September, 1849, this firm was located at the corner of Kearney and Washington streets, Portsmouth Square, paying a rental of $6,000 a month for a little wooden cottage. In the early part of the following November the partners, Stephen A. Wright, John Thompson, Samuel W. Haight and J. C. L. Wadsworth, definitely organized as bankers with an announced capital stock of $200,000. In 1854 Wright's bank changed its name to "Miners' Exchange and Savings Bank" with offices in the old Armory Hall on the northeast corner of Sacramento and Montgomery streets. In September, 1854, it advertised that

"All moneys deposited in this Bank, in sums not exceeding One Thousand Dollars, at one day's sight, said deposits made on and after 1st September, 1854, to 1st September, 1855, will draw interest at the rate of one and a half per cent per mo.

"All special deposits of not less than One Hundred Dollars, made for six months and over, will draw interest at the rate of two per cent per month.

12 Cf. the sketch of his life, upon which a portion of the above statement is based, in "The Early Days and Men of California," (Oakland, 1891, pp. 210-212), written by his former business partner, W. F. Swasey.

"On the 1st of September of each year, depositors will be notified of any change of the rate of interest for the ensuing year."[13]

In December, 1854, it moved into spacious new quarters at the northwest corner of Montgomery and Jackson streets. The *Daily Herald* of December 25, 1854, commented upon the new location in the following terms:

"The splendid four story building just completed by Dr. A. S. Wright is one of the finest in the Union. * * * The first floor on the corner will be occupied as a Banking House by Dr. Wright; attached to it is a vault, built of double iron, rivetted together, enclosed with a wall sixteen inches thick, arched and grouted in cement."

This concern at first was successful and profitable, and remained solvent throughout all the uncertain days of the gold rush, only to succumb in the disastrous Black Friday of February 23, 1855, at which time three other banking firms closed their doors. The *Mercantile Trust Review of the Pacific* maintains that this banking house "has good claim to be regarded as the first bank to be established in the country."

For many years it was claimed that the honor of being the first to engage definitely in the banking profession in California belonged to the firm of Naglee & Sinton, and much can be said in support of that contention. This partnership opened up banking quarters on January 9, 1849, on the first floor of the Parker House, now the site of the City Hall of Justice. Henry M. Naglee had been born in Philadelphia, January 14, 1815. A West Point graduate, he arrived in California in March, 1847, as a captain in Colonel Stevenson's regiment. Richard H. Sinton came to San Francisco as paymaster on the battleship Ohio. Sinton soon retired from the firm and its name was changed to Naglee & Company. Sinton became a member of the firm of Bagley & Sinton, real estate and exchange brokers, and later engaged in the auction and commission business. Following the destruction of the Parker House by fire, the banking firm of Naglee & Company moved to the corner of Montgomery and Merchant streets, where it remained until forced to close its doors in September, 1850, as the result of a run having been made upon it. Naglee paid off all obligations of the house, and remained in San Francisco until the opening of the Civil War. He then joined the Union Army,

[13] *Daily Herald*, San Francisco, September 17, 1854.

NAGLEE & SINTON BANK, SAN FRANCISCO
Established January 9, 1849.

was made a lieutenant colonel, later a brigadier general, and served throughout that memorable conflict. At its close he returned to California and retired to his ranch at San Jose, where he died March 5, 1886.

Rothschilds of London, appreciating the importance and the advantages to be derived from having a representative in close proximity to the newly discovered gold fields, authorized B. Davidson to open an agency for them on the northwest corner of Commercial and Montgomery streets in February, 1849. In 1850 the firm changed its name to B. Davidson & Company, then to B. Davidson (1860), Davidson & May (1862), Davidson & Berri (1863), and finally back to Davidson & Company (1866), and so continued until it closed its doors on May 6, 1878. Its local business was then taken over by A. Gansel and J. Cullen. The latter firm retired May 29, 1880. Albert Gansel had formerly been the manager of the Rothschilds agency at Naples, and Jeffrey Cullen had been associated with the San Francisco agency for six years preceding his entering into partnership with Gansel.

The firm of Burgoyne & Company, bankers and commission merchants, was established June 5, 1849. It was located on the southwest corner of Montgomery and Washington streets. The partners were W. M. Burgoyne and John V. Plume. In January, 1854, Burgoyne purchased the interest of his partner in the San Francisco house and also in the New York firm of Burgoyne & Plume, but continued the business in both cities under the "same name and style as before on his own account."[14] In December, 1854, the firm moved to the corner of Battery and Washington streets. It was one of the banking houses that were forced to close their doors on February 23, 1855. B. C. Wright in his "Banking in California, 1849-1910"[15] tells an interesting story of how Burgoyne & Company used an unique means of stopping a run upon their banking house which might have resulted seriously had it continued. Their banking quarters were crowded with an angry mob demanding payment of their deposits. Burgoyne & Company had some real friends nearby, so word was sent to them to come over and assist in handling the situation. Soon one of them forced his way to the counter and threw down a bag of gold coins to be

[14] *Daily Herald*, San Francisco, January 9, 1854.
[15] San Francisco, 1910, p. 105.

deposited. The crowd looked on with wonder. In a few moments another depositor appeared with a bag of gold coins. A little later a third depositor came in and left a bag of coins. By this time the run had collapsed. The same bag of coins had been used over and over again, "for as soon as received it was passed to a confederate at the back door and then brought in at the front door to be again deposited." A still more original method was used for the same purpose and to good effect by one of the early banks. A run had been started; the bank was short of funds. But it gave out the information that it had an abundance of gold bullion on hand which it would melt and strike into gold coins as quickly as possible if the crowd would but wait. It then took some of the coins which it had on hand, heated them slightly, and passed them out to the waiting depositors. That seemed to appease the demands of the mob, for it quickly disbanded.

Thomas G. Wells began his banking activities in a small office 15 by 18 feet on Montgomery Street, on August 27, 1849. The *Bankers Magazine* of November, 1849, carried the following item:

"Thomas G. Wells, a branch of that flourishing banking house in Boston, Willis & Company, rents an office on Clay and Montgomery streets 14 by 22 feet at the immense price of $800 per month, payable quarterly; enormous as this may seem they were yesterday offered $300 per month ($3,600 per year) advance. * * * The buildings [in San Francisco] with a few exceptions are of the flimsiest character imaginable, being generally composed of unplaned boards and many of them merely canvas affairs."

Of the six firms engaged in banking in 1849, the business of Thomas G. Wells proved temporarily to be the most profitable. Wells had come to California from New England after having been unsuccessful in the printing and publishing business. His brother-in-law, Hamilton Willis, was at the head of the banking firm of Willis & Company of Boston. Upon reaching San Francisco, Wells decided to enter the banking field. He began with practically no funds. At the end of the first two weeks he found that his income had considerably exceeded his expenses, enormous though the latter were. In September, he moved into the first brick building in San Francisco, erected in 1848, located on the southwest corner of Montgomery and Clay streets. He then hired

a clerk and both for some time thereafter slept in the banking office. The bank was kept open from 5:30 in the morning until 9 o'clock at night. During the week ending September 25, 1849, Wells received from thirty to forty thousand dollars as deposits and also about forty thousand dollars with which to purchase gold dust. On December 28, 1849, he wrote to his wife as follows:

"I think I do not flatter myself when I say that my banking house now stands the first in San Francisco, both in point of respect and means. I arrived here with comparatively nothing but now I have all of the capital I want, and this has been done simply by securing the confidence of the public by my manner of doing business, which I certainly have aimed to make high minded and honorable. The consequence is that the deposits of money flow in upon me from all quarters both for use and safe keeping and my banking business is greater than that of any two other houses in the city. My deposits on the 1st of December amounted to $132,000, and it is now much larger, as I open two or three accounts almost every day."

On January 1, 1850, the name of the firm was changed to Wells & Company, through an agreement whereby Willis & Company of Boston advanced $50,000 capital as a silent partner and received one-half of the profits. During the same month Wells & Company began the erection of a fireproof building which was later described by Wells as "a beautiful banking room, certainly equal to any in Boston." In June, 1850, the firm forwarded almost $108,000 of gold dust and quartz to New York and London and drew drafts for more than $92,000. In April, 1851, Wells bought out the interest of Willis & Company and obtained complete control of the bank. On May 4, 1851, San Francisco was swept by one of its many disastrous fires. Wells, having every confidence in the fireproof character of his building, remained in it with several of his tenants and two of his clerks until they were driven out by the intense heat. Having to pass through the flames and smoke, all were severely injured, and Wells never entirely recovered.

Alfred Wheeler, in delivering the oration at the thirty-second anniversary of the Society of California Pioneers, September 9, 1882, had the following to say regarding that fire which not only destroyed the greater part of San Francisco but also resulted in the loss of many lives:

"It originated in a paint shop on Clay Street opposite Portsmouth Square, at about half past nine p. m. and in less than fifteen minutes had engulfed that block, had leaped across Kearney Street, and, fanned by the N. W. trade wind of the season, had become a fiery hurricane whose tongues of flame, a hundred yards in length, were licking up like chaff everything towards the east and south that was combustible. Wells & Co.'s bank and building, a large four story brick structure, stood right in the line of destruction at the S. W. corner of Clay and Montgomery streets. The lower floor was the banking room, with its entrance on Montgomery Street, and the upper stories were occupied as lawyers' offices, the access to which was by a doorway on Clay Street at the rear of the banking room. In the hallway, into which this Clay Street door opened, were gathered at the moment when the fire had almost reached that point, a dozen or more of the occupants with Mr. Skinner, one of the banking firm, in their midst. All were undecided as to how or where to remove their books, furniture and other property.

"Drays and wagons by the score, loaded with goods from stores and dwellings that were now almost in the embrace of the flames, and hundreds of people staggering under similar burdens, came pouring down to Montgomery Street and deposited their loads upon the street to the leeward of the bank, raising a pile that reached to the second story. Mr. Skinner urged that the building was completely fire-proof; that to remove anything from it would be unnecessary labor; and that the lives and effects of the occupants would be as secure within as without.

" 'Let us all remain,' said he, 'and, after securely fastening the iron doors and shutters, await the burning of Dr. Rabe's building,' a three story wooden one adjoining on the west. 'When that shall take fire, as it will within a few minutes, some sparks or cinders may fall down the chimney flues or blow through the chinks of the shutters. By remaining and watching we may quench any spark which enters and so preserve the building and its contents. Rabe's building will be quickly consumed; after which the flames will have got across Montgomery Street and left us safe and sound in their rear.'

"Can anybody believe that we were sensible men and consented? We did. It was an impulse of the Pioneer's pride mingled with courage that was ready to fight even the elements. The purpose was not rash. It was heroic. We thought that we could save that building and we felt that we ought to do it.

"We barred and bolted the entrance doors of bank and hall and all the shutters and, lighting our candles, took our positions at the windows, each in his respective room. Scarcely had we done so, when a roar as of Niagara told us that the devouring flames had reached our neighbor.

"The deep thunder sound of that roar seemed to my startled ears like the voice of hell, howling at our resistance. I placed my hand upon the brick wall, that separated my office by only twelve inches from the dread fire that surrounded us, and felt the stove-like heat.

"Meeting with the impediment of the solid wall, the flames were carried by the wind along it, upward and over the roof, pouring down each chimney flue and through the fireplaces into the rooms, burning cinders and inky streams of stifling smoke, like the black fumes coming through a steamboat smokestack from a bituminous coal furnace.

"Snatching the pillows from my bed in an adjoining room, I stuffed them into the grate flue of my office chimney and stopped that channel.

"Through the open office door I saw that the hallways were filled with smoke, and prudent thoughts began to suggest themselves. I had but a moment of indecision, for as I turned my eyes toward the closed iron shutters, I saw that they were red with the heat that shot past them.

"Slowly they bent, curving outward, opening a space of half a foot, through which, in an instant, like the sea through a shattered hull, there rushed a stream of mingled flame and smoke.

"The glass of the windows crumbled into dust before the heat, and sash and casement formed a blazing framework around the smoky deluge that poured through and overwhelmed us with suffocation. The candles went out, smothered in the carbon. There was a blackness like that of death, through which fantastic fiery forms darted like dancing demons.

"Through the windows of every room, from roof to sidewalk and facing upon Clay Street, the merciless enemy poured in. Unable to breathe, and almost asphyxiated, I thought instinctively of flight from the building. Under such circumstances, thought is rapid. I knew that the planked sidewalks and roadways must be all ablaze; that in every direction the city must be in flames, through which was the only path of flight; that once there, if I could be screened from the intense heat, being swift of foot, I might possibly reach the boundary of the burning district.

"With these thoughts I seized a pair of blankets and, with them under my arm, leaped, rather than ran, down the two flights of stairs to the street floor, intending to rush through the bank and into Montgomery Street.

"I was appalled, on entering the banking room, to find its outer doors unapproachable owing to their heat, and the huge bar, which had been placed upon the sidewalk in front of this door, and of the wooden buildings opposite extending down to the bay. Escape seemed impossible. I was choking for want of oxygen. Every inch of space was filled with the acrid smoke

which would have strangled me had I opened my mouth. I must breathe. I thought the smoke might not have penetrated to the cellar, and, throwing my blankets into the nearest corner of the dark and tomb-like bank, I darted below.

"From the moment when the candles had gone out in my office, until I reached the cellar it had not been over sixty seconds.

"The air down there was still cool and almost free from smoke. I filled my lungs with the precious oxygen and my brain seemed electric with vivid flashes of thought. Death within the next five minutes seemed inevitable. The faces of a mother and of sisters, who hopefully and lovingly awaited my return to them, and the scenes and pleasant places of childhood swept before me like a dream. My thoughts were all of this life, none of another.

"I espied a candle burning in a remote corner, and upon going thither found Mr. Strong, the bookkeeper of the bank, and the colored porter standing buried in thought. At sight of me, the colored man exclaimed, 'My God, My God! we've got to be burned alive.' I asked Strong if there was no exit from the cellar. He replied, 'None.' 'Then,' said I, 'if we remain here a minute we are lost. The building is on fire from top to bottom. The stairs are yet unburned. If we inflate our lungs and fly up through the smoke we may reach the roof and from there we can leap to the street.'

" 'Go on,' said Strong, 'I'll follow you.' With two strides I leaped to the street floor. As I reached it I glanced into the bank and saw that the outer iron door had burst from its fastenings and stood half open; while out in the street the red glare looked like a fiery furnace.

"Snatching my blankets from the corner where I had dropped them, I threw them around me and rushed out into the flame.

"Fate sent my flying feet northward towards Telegraph Hill. As I reached Washington Street a thousand voices, beyond, cheered me, until I stood safe, with the ocean of fire behind me. I had got through unharmed, though my boots were burned to a crisp and my white blankets were scorched to the color of mahogany.

"In half an hour nothing remained of the building from which I had fled but its ghastly smoking walls.

"All escaped from it, though none but me unharmed; some running towards the bay, some southward towards California Street. Three died from the effects of the terrible burns received in their flight, and all the others who lived bore permanent scars."[16]

Another fire visited San Francisco on June 22, of the same

[16] Publications of the Society of California Pioneers, San Francisco, 1882, pp. 19-23.

year, causing serious loss to the inhabitants of the city. On October 2, 1851, Wells was notified that his bills of exchange had been protested by Willis & Company, whereupon he immediately placed his affairs in the hands of H. B. Janes and Charles L. Strong as assignees. Creditors were subsequently paid 37½ cents on the dollar. The closing of the banking house of Wells & Company did not affect any of the other financial concerns in the city. After settling all of his obligations as best he could, he left for New York, and although he did not die until twenty-two years later, he never recovered from the effects of having been trapped in the fire of May, 1851. His failure was sincerely deplored by the San Franciscans because of his "promptness, his scrupulousness, his integrity, his urbanity and his public spirit." The sympathy of the entire community went out to him in his days of misfortune.

On November 17, 1849, James King of William[17] and Jacob R. Snyder established the "Exchange and Deposit Office" of James King of William on Montgomery Street near Clay. In July, 1851, the firm's name was changed to James King of William & Company. Snyder retired from the partnership on March 5, 1852, the name then reverting to James King of William. James King of William, one of the most outstanding men in the rough, unsettled days of San Francisco's early history, was born in Georgetown, D. C., on January 20, 1822. At an early age he was employed in the banking house of Corcoran & Riggs in Washington. In 1848 he broke down physically, and while in Peru and Chile, looking over some business prospects, chanced to hear of the discovery of gold in California. He made his way up the coast and into the gold fields, but soon found that he was in no physical condition to stand the strain and exposure of mining. He returned to Sacramento, where he became a bookkeeper and partner in the store of Hensley, Reading & Company. He went to San Francisco in the fall of 1849, and in partnership with Snyder established the banking business above referred to. In April, 1850, he also organized a bank in Sacramento, in partnership with Samuel J. Hensley and Robert D. Merrill, both of that city. He

[17] There have been two explanations given for King's taking unto himself this peculiar name. One is that James King was the son of William King. The other, and more commonly accepted explanation, is that he came from William County, Maryland, and called himself "James King of William" so as not to be confused with another James King who lived in an adjoining county.

was joined by his family in 1851, and his home in San Francisco immediately became the center of the social and intellectual life of the community.

King's banking house was destroyed by the fire of May 4, 1851. Like Wells and others, he had faith in the fireproof character of his building, but finding, too late, that his confidence had been misplaced, attempted to escape by sliding down a rope to the ground below. The rope burned, and he dropped among the embers. Wet blankets were quickly thrown over him by onlookers and he was luckily saved from being seriously burned.

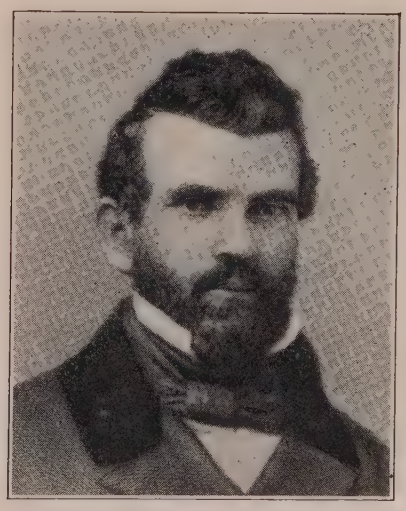
For several years his business flourished and he became a recognized financier in the new and unsettled life of the frontier. In June, 1854, however, he discovered that a Sonora banker, who had been his cashier during 1850-51, had involved him and his banking house in a questionable and losing speculative venture. King had sent his former employe a large sum of money to invest in gold dust. Without King's knowledge his trusted agent had sunk it in a mining canal scheme of which the latter was treasurer. King finally had to take over the canal, but it was not a profitable investment. To quote from his own published statement:

"For the first time in my life I was unexpectedly placed in a position where, in the event of a run, I could not possibly meet my engagements. No one that has not been similarly situated can imagine the agony I endured from day to day, and week to week, as I saw persons walk into my office and deposit money which, in the event of a panic, before I could turn my property into cash, I knew I could not return. I saw it all, felt it all, and dared not open my lips. I cared not about being poor. All I aimed at was to be able, at a moment's warning, to return what had been entrusted to me. I was afraid to attempt borrowing money, lest it should hasten the very crisis which I wished to avoid."

In the hope that his depositors and creditors might be saved from taking any losses, he sold his business and good will to the banking and express house of Adams & Company on June 27, 1854, with the understanding that his liabilities would be met in full. At the same time he was made cashier of that company at a salary of $1,000 per month. The arrangement left him penniless, but nevertheless he was happy in the knowledge that those who had placed their faith in him would not lose a cent of their funds. He little surmised what the next few months had in store

(Courtesy, Coast Banker)

BANKING HOUSE OF JAMES KING OF WILLIAM,
SAN FRANCISCO



JAMES KING OF WILLIAM

for him as a trusted employe of Adams & Company. When the latter failed in February, 1855, and many of King's friends and former depositors lost heavily, he sold all his worldly goods and sacrificed everything in the effort to pay those whose confidence in him had caused them to suffer financial loss. He then tried to recoup his fortune by again entering the banking field in partnership with Henry Reed, who had been associated with him in the employ of Adams & Company. On June 29, 1855, however, after having been in business for about four months, he found association with Reed impracticable and dissolved the partnership, leaving the banking world forever.

King had felt called upon publicly to justify his act in selling out to Adams & Company, and also in not giving out information to his friends relative to the financial practices and condition of his employers. He therefore wrote a series of articles for the local press, and wrote so admirably that some of his friends, who knew of his desire to edit a newspaper, raised the necessary funds, and on October 8, 1855, the first number of the *Evening Bulletin* appeared with King wielding the editorial pen.

Had King remained in the counting house, it is doubtful if Californians outside of his day would ever have heard of him. It was not King, the Banker, but King, the Editor, who left an indelible impress on the history of San Francisco and the State of California. Hardly had the *Evening Bulletin* gotten under way when King "took off his gloves," as one author expresses it, and began to attack in most virile and scathing terms the political and social abuses that characterized San Francisco at that time. Conditions in all walks of life were unbelievably bad. Corruption stalked brazenly through the political life of the city and flaunted its leering features before the public. Criminals and prostitutes controlled men in high places. No one had had the courage to lead the attack in an effort to clean up the city. But King was fearless. Regardless of the warnings of friends and the threats of enemies, he daily hurled his attacks against corrupt politicians, criminals who occupied places of responsibility in the life of the community, and grafting firms who were bleeding the public in every conceivable manner. "Certain banking firms alive and defunct were shown up in all their rottenness." No other paper or editor in San Francisco had dared to do what the *Evening Bulletin* and King attempted. The clean element in the life of

the city at first stood aghast, and then after having gotten its breath followed as King led, giving him support wherever possible. Gertrude Atherton has aptly described him as "gifted with a brilliant mind, an upright character, an honest and generous heart," whose personality stands out most compellingly in the annals of the formative period of San Francisco. No one "ever developed a more piercing scorn of corruption and love of civic decencies and no one was less discouraged by the remonstrances of timid men and the threats of the powerful and unscrupulous. * * * Singlehanded this dauntless little gentleman," after retiring from the banking world, "undertook to clean up San Francisco. He accomplished his end far sooner than he had anticipated, but with his life, not his pen."[18] He was shot down by James Casey, a local politician, on May 14, 1856, for having exposed Casey's previous prison record. He died six days later, a martyr to the cause of good government and clean civic life. His shooting was the occasion for an uprising of the people, the Second Vigilance Committee was quickly organized, and every effort was made, later crowned with success, to bring about a better state of affairs in San Francisco.

King was the forerunner of a number of other California bankers who have from time to time thrown themselves into the fight for the removal of grafting politicians, the eradication of economic and social abuses, and the introduction of clean, efficient government in this state. As we shall see from succeeding pages, he was also one of the leaders in the campaign for the establishment of a better banking system in California. The early issues of the *Evening Bulletin* contained many informative and telling articles dealing with that subject written by King, who had been an upright and capable banker and who knew banking conditions and practices both in the East and in California.

Another San Francisco banker of the '49 era was E. C. Dunbar, who established "Dunbar's California Bank" at the corner of Washington Street and Emerson Arcade. His advertisements informed the public that he was prepared to receive treasure on deposit, that he would buy and sell gold dust, and that he was in the market as a dealer in foreign and domestic exchange. He was burned out in the fire of May, 1850, but the contents of his safe were uninjured. In August, 1850, he moved to a large brick

[18] California: An Intimate History, New York, 1914, p. 174.

building on Montgomery Street, but was forced to close his doors some time in 1851. He later returned to New York, where he organized the Continental Bank Note Paper Company, which was subsequently absorbed by the American Bank Note Paper Company.

J. J. Chauviteau & Company also entered the field in 1849, as bankers and commission merchants. They were located on the Clay Street wharf. They continued to engage in the customary activities followed by the bankers of the time until the latter part of 1851, when they turned their attention solely to merchandising and insurance. Simmons, Hutchinson & Company (B. Simmons, Titus Hutchinson and J. F. Pope) was another banking and commission house located on the Clay Street wharf, organized some time in 1849. This firm was forced to close in 1850, with liabilities in excess of $200,000. A few months after the failure, Pope associated himself with John T. Little in the commission and exchange business. Felix Argenti and T. Allen organized a banking house under the title of Argenti & Company in 1849. They opened up on Clay Street, facing the Plaza, but subsequently removed to 133 Montgomery Street. In 1854 they announced that they would no longer accept deposits but, that they would continue to sell exchange on France and England. They failed May 3, 1856. It was this firm that as early as 1850 first attempted to put printed bank notes into circulation in California, but with no success. The people would not accept them.

The *Mercantile Trust Review of the Pacific*, in the article previously referred to, states that B. Baldwin established the banking firm of Baldwin & Company in 1849, at the southwest corner of Sansome and Washington streets, and that after his death in 1850 it was continued by N. F. Young at the southwest corner of Sansome and Clay streets until it was closed as a result of the fire of May 4, 1851. I have been unable to find any trace of "Baldwin & Company, Bankers," during 1849, although in 1850-51 the firm of Baldwin & Company (George C. Baldwin and Thomas S. Holman) was actively engaged in minting and circulating private California coins to meet the local need for money. Nor have I been able to find any mention of J. P. Manrow, whom the above article lists as a real estate broker and capitalist engaged in banking in 1849 on Montgomery Street, and who retired in 1850. It is very difficult to obtain definite information regard-

ing these and similar matters, because the records of the early days are woefully incomplete.

Banks during 1848-49 were at best but small affairs compared to what they later became with the growth of industry and population. James King of William, writing a few years later concerning the first banks and bankers of San Francisco, declared that,

"With the exception of Mr. Davidson, who is the agent of the Rothschilds, we doubt whether any banking house in this city at the close of the year '49 possessed a cash capital over $100,000. The larger merchants, too, at that time, did not deposit freely, but most of them kept their funds in their own safes and several of them received deposits from others. The deposits at the banks, therefore, were not so large in amount as they afterward became."[19]

The year 1850 was much more prolific than the preceding two years had been in the opening of banking houses and in the appearance of gold dealers and exchange brokers. In February of that year Drury J. Tallant established a banking business at the corner of Montgomery and Clay streets. In the spring of 1851, Judge J. W. Wilde was taken in as a partner and the firm's name was changed to Tallant & Wilde. Its advertisements advised the public that it was prepared to carry on the "transaction of a Banking, Exchange and Commission business." In 1852 James Robb of New Orleans joined the firm, but the name of the company remained unchanged. Robb retired on December 3, 1857. Judge Wilde died August 3, 1862. On January 1, 1863, John McKee became associated with Tallant under the firm name of Tallant & Company. On July 28, 1891, the business was incorporated as the Tallant Banking Company, with John D. Tallant, president, and John McKee, cashier. In 1898 it was absorbed by the Crocker-Woolworth National Bank, later the Crocker National Bank, which in 1926 merged with the First National Bank of San Francisco to form the Crocker-First National Bank.

In August, 1850, the firm of Sather & Church made its bow to the San Francisco public. The partners, Pedar Sather and Edward W. Church, had been money brokers in New York and had come to California with the gold rush. In May, 1851, the name of the firm was changed to Drexel, Sather & Church because

[19] *Evening Bulletin*, December 29, 1855.

of the admission of another partner, Francis M. Drexel of Philadelphia, the founder of the famous Drexel fortune. The banking office of this company was at first located in a little wooden shanty built on piles and projecting out over the water on Washington Street between Sansome and Battery streets. When its office was destroyed by one of the early fires, the company erected a three-story building on the northeast corner of Montgomery and Commercial streets, at the end of what was then known as "The Long Wharf." James Hutchinson, for many years the manager of the bank, slept on the premises and arose early each morning so as to be on hand when the river boats came in from Stockton and Sacramento, thus being the first person to meet and bargain with the returning miners for their gold. As a consequence, he was frequently able to drive excellent bargains for his firm. Drexel retired from the partnership in 1859, and the firm again became known as Sather & Church. Church died April 28, 1861, and the business was continued for several years by Sather under the firm name of Sather & Company. Hutchinson was later taken in as a partner without any change in the firm's name. After the death of Sather, the firm was incorporated in 1887 as the Sather Banking Company and moved to the southeast corner of Pine and Sansome streets. On December 1, 1897, it was reorganized as the San Francisco National Bank, and in July, 1910, was absorbed by the Bank of California, National Association, thus concluding a long and successful history as the only San Francisco banking company organized as early as 1850 which continued actively in business down into the twentieth century. Only once was it compelled to close its doors, i. e., in November, 1857, and then but temporarily. The suspension was caused by conditions arising out of the serious financial panic then prevailing in the East, and also because of the sinking of the steamer *Central American*, on which the firm had consigned a large amount of treasure to eastern ports. It paid all obligations in full and resumed operations in April, 1858.

Bolton, Barron & Company (James R. Bolton and W. E. Barron), although primarily a merchandising firm, carried on some banking during 1849-50 "for the convenience of their customers." S. B. Ludlow and S. Beebe opened a banking house in the Naglee Building, on the corner of Montgomery and Merchant streets, in 1850. They represented Beebe, Ludlow & Company of

New York, at that time the largest bullion dealers in the United States. The San Francisco agency ceased advertising in the local papers in February, 1851, so that it is surmised that it must have been abandoned at about that time.

Godeffroy, Sillem & Company (Alfred Godeffroy and William Sillem), the San Francisco representatives of J. C. Godeffroy & Company of Hamburg and of Ward & Price of New York, were established in 1849 as commission merchants. In 1850 they opened a banking office in the Niantic Warehouse at the foot of Clay Street. As late as October, 1855, I have found them advertising that they had money to lend and that they were willing to discount promissory notes. It is not known when they retired from the banking field. J. P. H. Gildermeister and James de Fremery, operating as Gildermeister & de Fremery, were actively engaged in the commission business in San Francisco in 1849-50. They advertised as "Commission Merchants and Bankers," selling drafts on New York, London and Amsterdam. Although they continued to operate for some time as money and gold brokers, exchange dealers and commission merchants, at no time did they seriously undertake a general banking business. The partnership was dissolved in 1856. Gildermeister dropped out of the banking field, but de Fremery was later influential in the organization of the San Francisco Savings Union in 1862.

Hughes, Pioche & Bayerque (A. Hughes, F. L. A. Pioche and J. B. Bayerque) were prominent merchants in San Francisco during the first few years following the gold rush. They were located on the south side of Clay Street facing Leidesdorff. They engaged to a slight extent in banking as early as 1850, although they did not advertise as bankers until April, 1851. Their banking offices were subsequently located on the southeast corner of Montgomery and Jackson streets. Hughes retired in March, 1850, and the firm continued until July of that year as Pioche & Bayerque. In the latter month, Samuel Moss, Jr., was admitted to the partnership and the firm's name was changed to Pioche, Bayerque & Company. Moss later retired, the firm continuing as Pioche & Bayerque. During its existence this company was one of the most active forces in organizing some of the larger and more important public utilities in San Francisco. There is some doubt regarding when it closed its doors, but the *Bankers Maga-*

zine of New York announced the dissolution of the firm in February, 1873.

Many of those who have written of the early banking history of San Francisco have mentioned the firm of Delessert, Cordier & Company, which, it is claimed, was established in 1850 at 176 Montgomery Street, between Washington and Jackson, and which remained in the banking field until 1853. This, I fear, is not quite in accord with the facts of the case. The San Francisco *Daily Herald* of February 22, 1851, carried an announcement of the organization of the partnership of "Eng. Delessert, Ligeron & Company, General Banking and Commission Merchants," located in Bolton, Barron & Company's building, 276 Montgomery Street. The firm advertised itself as prepared to buy, ship and insure gold dust, and to sell exchange on New York, London and Paris. This partnership continued until March, 1852, when the San Francisco papers announced the withdrawal of C. Ligeron and the entrance of E. Cordier. In August of that year, it moved its place of business to a new brick building which the firm had erected at 176-178 Montgomery Street, between Washington and Jackson streets. No trace of the existence of this firm is found in the local papers after 1853.

It was during 1850 that we find the first mention made of any united action taken by the bankers of San Francisco on a matter of common interest. On October 20, of that year, the San Francisco papers carried an announcement to the effect that "Banking hours will be on and after 21st November from 9 A. M. to 4 P. M." This agreement was signed by the following bankers who undoubtedly represented the outstanding institutions of that time: Argenti & Company, Page, Bacon & Company, Wells & Company, Burgoyne & Company, James King of William, B. Davidson, and Tallant & Company.

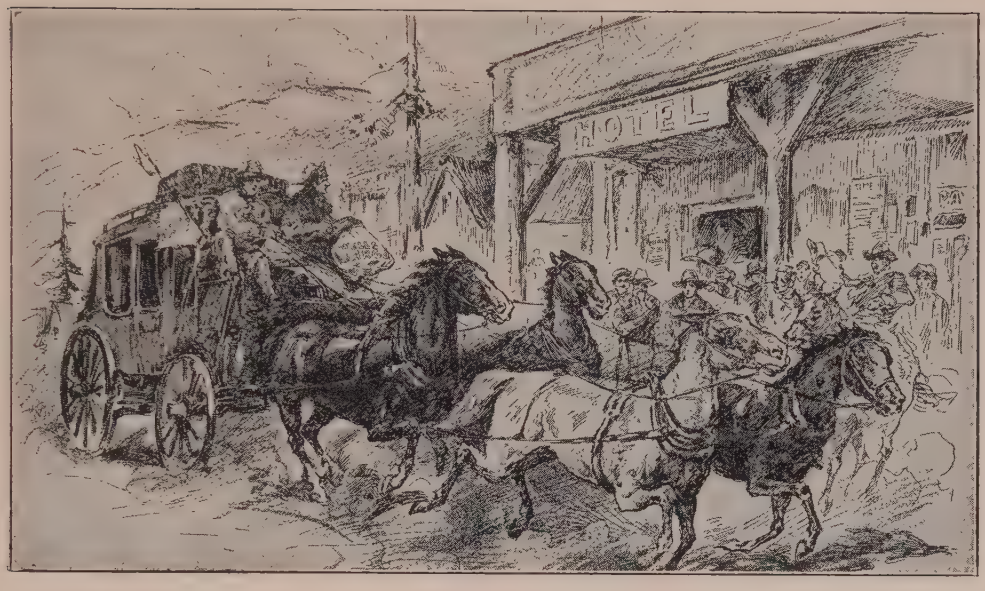
Express companies early began to play a very important part in the life of the Californians, not only as carriers of mail and parcels, but also as financial agents in various capacities. There is some doubt regarding the exact dates when the various express companies were established, although it is known that a large number were in existence in 1849. During the heyday of the gold rush they became so numerous that the *Alta California*, a San Francisco newspaper, remarked, on January 7, 1850, that "There are so many new express companies daily starting that

we can scarcely keep the run of them." These companies were most instrumental in providing a fairly adequate mail and express service to and from the mines. They also carried untold amounts of treasure under consignment. Their offices in the outlying districts were usually the only places equipped with safes, so that it was but natural that they should early begin to act as agents for the safekeeping of gold dust, nuggets and other valuables for the miners. Within a very short time they actively entered into the purchase of gold dust, the sale of exchange and the performance of other banking functions.

So far as is known, the first express company operating in California was established by C. L. Cady, who, as early as July 24, 1847, announced a weekly service between San Francisco and Sutter's Fort. It was short lived, as might have been expected, and died from lack of patronage.[20] Alex. H. Todd started Todd's Express in July, 1849. He soon gained the confidence of the miners and "undertook to carry gold dust and packages, charging 5 per cent on dust," from Stockton to San Francisco. "This soon grew into a banking business, with a charge of from ½ to 1 per cent on deposits." The firm became a partnership, but it dissolved in October, 1851. Some of the partners founded Newell & Company's Southern Express on October 8, 1851, running to the southern mines and to Oregon. A few days later (October 18, 1851) C. A. Todd, the senior member of the old firm, became a partner in Reynolds & Company's Express, whereupon the name was changed to Reynolds, Todd & Company. Newell & Company's Southern Express sold out to Adams & Company in November, 1851, while Reynolds, Todd & Company's Express continued until 1854, when it likewise sold out to the same firm.

Adams & Company, an express and forwarding agency of Boston, opened a San Francisco office in October, 1849, on the east side of Montgomery Street, north of California, with D. H. Haskell in charge. The company in 1850 actively entered into the banking business as being intimately connected with the carrying of gold dust and parcels. In November, 1852, it moved to the Parrott Building, on the northwest corner of California and Montgomery streets. From time to time it absorbed other express companies and by 1852 had penetrated into even the more

[20] Cf. Bancroft, History of California, vol. 7, pp. 150-151 footnote, for valuable and interesting data on the early express companies of California.



Courtesy, Motor Land

MAIL ARRIVING AT THE MINES IN EARLY '50s

remote mining districts. The partnership was changed into a corporation in 1852, with a capitalization of $2,000,000. Until its failure on February 23, 1855, its name was a byword throughout the state for efficient and safe service. In the days of its greatest prosperity it is said to have made as high as $500,000 profits a year. It established offices equipped with safes and iron shutters throughout the mining regions where funds and gold dust were kept for the miners, checks cashed, exchange sold, parcels forwarded and received, and various other facilities afforded its customers. With the failure of Adams & Company, some of its employes organized the Pacific Express, but the latter remained in the field for only two years.

Page, Bacon & Company opened an express office in San Francisco in 1849, located on the north side of Clay Street, between Montgomery and Kearney streets. They subsequently moved to the northwest corner of Clay and Montgomery streets. Although presumably a local concern, this company was in reality a branch of the important house of Page & Bacon of St. Louis. The partners of the San Francisco firm were Daniel B. Page and Henry D. Bacon of St. Louis, David Chambers and Henry Haight of San Francisco, and Francis W. Page of Sacramento. Haight later (1867-1871) became governor of California. In November, 1852, Page, Bacon & Company moved into the Parrott Building, thus assisting in making that locality the center of the financial district of San Francisco. Within a comparatively short time after its organization, the company became primarily a banking concern, and as such remained one of the outstanding houses until it was forced to close its doors in the crash of February 23, 1855.

There were many other express companies established in California during those first few years, which competed with Adams & Company and Page, Bacon & Company for the business of the territory. One of the most important, which later emerged supreme, was that which became internationally known as the Wells Fargo & Company Express. It was directly the outgrowth of an express business started in New York in 1849 by Livingstone and Wells. As early as 1850, this firm had extended its activities to San Francisco, where at its office at 114 Montgomery Street it was selling exchange on eastern centers, buying and shipping gold dust and receiving deposits. In 1851, the company was incorporated under the laws of New York as Wells Fargo

& Company, with a capitalization of $300,000. In 1852 it found it advisable to increase its capital stock to $500,000 and to extend its operations to all parts of the state. At that time it had such wide connections that it was selling exchange on fifty-three different cities in the United States.

After the failure of Adams & Company, Page, Bacon & Company and other firms in the crash of 1855, it became the leading express and banking company on the Pacific Coast, due to a great extent to the purchase of the business of its competitors. In 1867 it consolidated with the Pioneer Stage Company, the Halliday Overland Mail and Express Company, the Overland Mail Company, and the American Express, increasing its capital stock to $600,000 and taking out a charter under the Territory of Colorado. Later it increased its capital stock to $2,000,000, then to $10,000,000, although subsequently reducing it to $6,000,000. It proved to be one of the most successful business enterprises in the state. It incorporated its banking business February 2, 1866, but continued to operate it in conjunction with its express activities in the same office in San Francisco until 1878. In that year the two branches of the business were separated, the Wells Fargo Bank being opened on the northeast corner of California and Sansome streets, and the express business on the northeast corner of California and Halleck streets.

In 1892, the Wells Fargo Bank was moved to the northeast corner of Sansome and Market streets. It continued to operate branches in New York, Salt Lake City, Virginia City, and Carson City, while in many of the smaller cities of California its banking activities were conducted in conjunction with the express business. As the years passed, it closed its branches and agencies. In 1871 the offices at Virginia City and Carson City, and in 1905 that at Salt Lake City, were abandoned, the New York branch being continued for a few years longer. In 1905, it was merged with the Nevada National Bank, becoming the Wells Fargo Nevada National Bank. Following the disastrous earthquake and fire of April 18, 1906, it moved to the northeast corner of Market and Montgomery streets. In 1924 it was merged with the Union Trust Company and is now known as the Wells Fargo Bank & Union Trust Company.

Palmer, Cook & Company opened as an express company on the Plaza in San Francisco in 1849, later moving to the north-

west corner of Washington and Kearney streets. In 1851 the firm abandoned its express business and devoted itself to banking and to furnishing bonds for city and state officials. The partners in the concern were Joseph C. Palmer, Charles W. Cook, George W. Wright and Edward Jones. Although primarily a bank, the house was engaged almost from the start in various questionable political activities. As a consequence of the latter, it was bitterly attacked in the *Evening Bulletin* by James King of William and forced to suspend on July 29, 1856, because he had so successfully undermined the confidence of the public in its solvency.

Palmer at times adopted original methods to secure his ends. It is said that a depositor wished to draw $28,000 from his account with Palmer, Cook & Company. Palmer's consent was necessary, but he was a mile or more away in a lumber yard. The depositor, who was in immediate need of the money, hastened to locate Palmer, made his wants known, and obtained Palmer's consent to withdraw the money, but there was no paper, pencil, pen or ink at hand. Palmer, without hesitation, picked up a shingle and with a piece of red chalk wrote out in large, bold letters a check for $28,000. Needless to say, it was cashed when the depositor presented it a few moments later at the bank. It also proved to be a good advertisement for Palmer and his institution.

Another express company widely known among the early settlers of California was that of Weld & Company, established in October, 1849, by T. R. Hawley. It ran from San Francisco to Benicia and Sacramento. Its name was subsequently changed to Hawley & Company's Express. "The first trip was made in *The Mint*, a sailing vessel, and took six days. Afterward it was transferred to the steamers *Hartford* and *McKim*. The company paid these boats $800 per month for the use of one stateroom; later for the same accommodation it paid $1,500 per month."[21] In 1850 Hawley & Company purchased Angle & Company's Express, and later in the same year sold out to Adams & Company. Gregory's Express was established in 1849 by Joseph W. Gregory. Its office was situated on the Jackson Street wharf between Front and Battery streets. It was later moved to the

[21] J. M. Guinn, History of the State of California, Chicago, 1906, p. 217.

southwest corner of Montgomery and Merchant streets, where, it is said, "Gregory operated as a banker." This company ran between San Francisco, Sacramento and the northern mines. It was forced to suspend operations in 1852, its assets being purchased by Wells Fargo & Company. Some of the other express companies mentioned by the California papers of 1850-51 were: Dodge & Company, "Express Merchants and Bankers," located on Montgomery Street, between Clay and Commercial streets; Bedford & Company's United States and California Express, running between San Jose and San Francisco; Luther's Package and Letter Express; Haven & Company; Randolph's Express; the New England and California Express; Young & Company; Henley, McKnight & Company; Brown, Knowlton & Company; Freeman & Company; and many others which were primarily the carriers of mail and parcels.

As a frontier community, California was compelled to buy heavily from Eastern and foreign centers. Payments had to be made for goods imported. Miners were also continually in the market for drafts with which to remit their earnings and wealth to families, relatives and bankers in other cities. Thus was created an extraordinarily great demand for exchange on Eastern and foreign points, which was met in a surprisingly satisfactory manner by the banks, and express companies, and by a large number of firms engaged in importing and exporting and in the sale of goods. Some of the firms, which were carrying on this phase of banking during the period of 1849-50, and which in a few cases continued to do so for some years thereafter, were as follows:

Bluxome, Denison & Durando advertised as being engaged in the banking business and in the sale of drafts and bills of exchange on New York. Cooke, Baker & Company bought and sold gold and also sold drafts on New York and other cities in the United States. Simmons, Lilly & Company did a general merchandising business on Sacramento Street and advertised the remittance of gold dust, coin and bullion to any part of New England or New York. They also sold drafts "in sums to suit purchasers." Haven & Livingston, 308 Montgomery Street, engaged in foreign and inland express business, sold drafts on eastern points and forwarded gold. Joseph B. Bidlemann, located on Montgomery Street, was also a shipper of gold and a

seller of drafts. George S. Wardle & Company were shipping and commission merchants who purchased gold dust, shipped it on consignment, and sold exchange on New York. Greenwood & Company (W. D. Greenwood, W. W. Winter and J. P. Rutland) were exchange brokers and dealers in gold dust.

John Beach was a shipping and commission merchant who bought gold dust and invoices and also made advances on the same. W. T. Coleman & Company sold exchange during this period only on St. Louis. This firm and its members played a very important part in the development of San Francisco during this formative period. Coleman was a member of the First Vigilance Committee, later the head of the Second Vigilance Committee, and also the leader of the Pick Handle Brigade which was brought into existence to cope with the Sand Lot riots of the later '70s. Probst, Smith & Company sold exchange only on London. William H. Davis, whose autobiography, "Sixty Years in California," has been frequently quoted in these pages, sold exchange only on New York. Little & Pope received gold dust for shipment and sold drafts on New York and Bedford. Quereau & Johnson sold exchange on New York and bought gold dust. Alfred Robinson sold exchange only on New York. Neustadt & Barrett were operating as early as April, 1850, selling exchange on the principal cities of the world. Cross, Hopson & Company were real estate dealers who also sold exchange on New York as a side issue. Herrick & Moss sold drafts on all the principal cities of the world. Hervey, Sparks & Company advertised as bankers and dealers in real estate, but in the realm of banking, they were really concerned only with the purchase of gold dust and the sale of exchange. Zachrisson, Nelson & Company were agents for the Pacific Mail Steamship Company, and sold and transmitted drafts and forwarded specie and gold dust. Robert Wells & Company advertised as commission merchants and general bankers, but their banking business consisted solely in the sale of exchange. Taylor & Company were general commission merchants who dealt in exchange and bought and sold gold. They also loaned money "at a moderate per cent." Bagley & Sinton (Sinton having formerly been the banking partner of General Naglee) were real estate agents who also acted as exchange brokers. Gladwin, Whitemore & Company were local representatives of a large eastern house, and dealt in gold and exchange. Macondray & Company (F. W.

Macondray, J. Minturn, T. G. Cary, Jr., and R. S. Watson) advertised as general commission merchants and bankers, selling exchange on New York, Boston and London, lending money, and receiving precious metals on deposit. Cary retired from the firm June 12, 1852, and was replaced by James Otis.

Turner, Fish & Company were shipping and general commission merchants who sold exchange on New York, bought gold dust and made advances on merchandise "on moderate terms." Sam Gower was a general merchandise and exchange broker who also loaned money. Other firms that were similarly engaged were Oakley & Bouton, Swift & Brother, Sanchez Brothers, Salmon & Ellis, Dixon, Forbes & Company, Woodworth & Morris, and William Ladd.

San Francisco was not alone in experiencing great changes in the realm of business relations as a result of the gold rush. Wherever there were profitable and extensive gold diggings, small towns arose, and wherever there were advantageous natural locations, large towns sprang up to serve as feeders and supply depots to the smaller places. Sacramento, Marysville, Sonora, Stockton, Placerville, were a few of the more important boom towns made possible by the mining excitement. In each of these more settled centers there quickly appeared business houses that provided the shifting, gold eager populace with banking facilities, such as they were in those days. It is difficult, and in most cases impossible, to obtain reliable information concerning the establishment of exchange offices and banking houses in the outlying mining districts of California. The express companies penetrated even to the most remote communities, and it was they with whom gold dust was deposited and from whom exchange was purchased. In the case of two towns, Sacramento and Stockton, each at the head of navigable waters, some stray bits of data have come down to us, and it is out of them that we have to piece together our story of banking in those communities during 1849-50.

The *Placer Times* of Sacramento as early as April, 1849, carried an advertisement of the firm of Sam Brannan & Company to the following effect:

"Gold received on deposite for safe keeping."

It also carried the following announcement from M. T. McQuellen:

"Gold and Silver coin constantly on hand and exchanged for good clean gold dust at $15 per oz."

Hensley, Reading & Company, another Sacramento firm, had undoubtedly been engaged in frontier banking for some time prior to that date, for in the *Placer Times* of May 19, 1849, they advised the public that,

"The undersigned are compelled reluctantly to decline to receive any funds on deposite after this date. Persons having gold dust on deposite are requested to come for it and withdraw the same at as early a date as convenient."

No reason was publicly given for the firm's having taken that action. In April, 1850, Samuel J. Hensley associated himself with James King of William and Robert D. Merrill in the opening of the Sacramento banking house of Hensley, Merrill & King. They accepted deposits, sold exchange and dealt in gold dust and coin. The company had its office on I Street near Front Street. King withdrew in 1851. The remaining partners continued the business as "Hensley & Merrill, Bankers" at 47 Second Street for a few years longer. The first advertisement of a Sacramento firm appearing in the local newspapers carrying the word "Bank" or "Bankers" is that of B. F. Hastings & Company. Their advertisement is found in the *Placer Times* of December 22, 1849, and calls attention to the fact that they are "Exchange Brokers, Bankers, and Commission Merchants," located at 51 J Street, between Second and Third streets. They were forced to make an assignment in the fall of 1850, but later reopened, again failing in 1871.

Rhodes, Sturgess & Company were established in Sacramento in June, 1850, at 53 Second Street. In October, 1851, the firm's name was changed to Rhodes, Purdy & McNulty. In February, 1853, however, John M. Rhodes succeeded to the business and operated as the Sacramento City Bank. The Sacramento Directory of 1856 commented upon this banking house in the following manner:

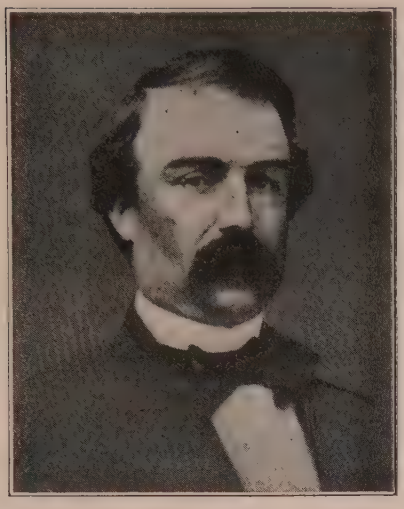
"The above house may be justly termed (as classed among those in existence at present) 'The Pioneer' of a legitimate banking business, being established in June, 1850. It is needless for us to state, that it has never failed to meet its engagements, both at home and abroad; and while numerous contemporaries have been compelled to succumb to the financial crises that have visited

the country, this house has always stood erect and undisturbed, affording a safe deposit to the merchant, tradesman, or mechanic. Adhering with strict integrity to the purpose for which it was originally established, it has met with that success which is always the 'reward of well doing'."

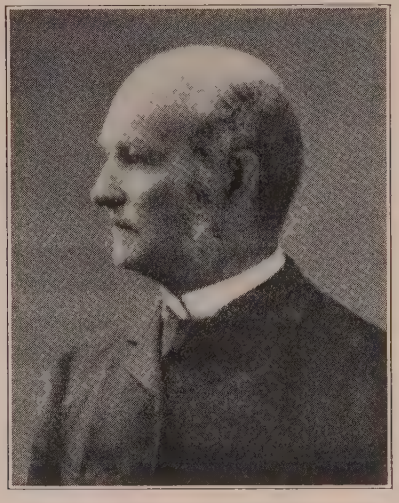
In spite of this eulogy, however, the Sacramento City Bank retired during the next twelve months.

Darius Ogden Mills, who was subsequently to play an outstanding part in the financial history of the state, arrived in Sacramento in the fall of 1849 with a small schooner of goods and $40 in cash. Sacramento was a bustling frontier settlement of about 10,000 people. Mills had been born in 1825 in North Salem, New York. He began his business career as a clerk, but later became cashier of the Merchant's Bank of Buffalo. He came to California, primarily, so it seems, to engage in business and not to seek for gold in the diggings. C. F. Dillman, who was the last president of the National Bank of D. O. Mills & Company, before it was merged with the California National Bank of Sacramento, stated to the writer that James and Edgar Mills had preceded their brother to Sacramento and had set themselves up as "James Mills & Company, Merchants."

When Darius Mills arrived, he took part in their business for only a short time and then (about October, 1849) began operations as a banker. This was but natural, considering his previous experience in the financial world in the East. In Bogardus' "San Francisco, Sacramento City and Marysville Directory," dated July, 1850, we find mention of "D. O. Mills & Company, Bankers," located at 55 J Street, between Second and Third streets. E. J. Townsend, a cousin, was early associated with Mills as a partner. In 1852, however, Mills became the sole owner of the business. In 1850, the house established a branch at Columbia, Tuolumne County (Bret Harte's "Roaring Camp"), situated in what was at that time one of the most promising and active gold fields of California. Early descriptions of Columbia assure one that it was a place of no small import, for in 1852 it was credited with having four banking and exchange houses. In 1850, the town had a population of 15,000, whereas today it is credited with about 250. The Columbia branch was maintained for about nine years under the management of Edgar Mills and was then sold to W. O. Sleeper & Company. The exterior of the brick building which it



D. O. MILLS
In Early Banking Days



D. O. MILLS
In Later Life

occupied is still in excellent condition, but the interior is in a sad state of repair. More than $55,000,000 in gold dust passed over the counter of this branch and was weighed in the bank's scales during the nine years of its existence. W. O. Sleeper & Company (W. O. Sleeper and H. A. Hooper) took over the business of the Columbia branch some time in 1859 and operated successfully for some years. They failed, however, in 1865. Sleeper had been engaged in the banking business in Columbia for at least three or four years prior to his purchase of the branch of D. O. Mills & Company.

In 1862 Mills sold a third interest in his Sacramento bank to his brother, Edgar, and another third to Henry Miller. Edgar Mills had been born at North Salem, New York, October 18, 1827. He had been educated as a civil engineer and had made some surveys for the Hudson River Railroad. He had come to California with the first gold seekers and had associated himself with his brother James in the mercantile business in Sacramento before entering the banking house at Columbia. He was later made president of the Eureka & Palisades Railroad Company and was connected with many other corporations in the state. With his brother, Darius, he was interested in a number of mining companies, primarily in Alaska. At the time of his death, February 10, 1893, he was president of the National Bank of D. O. Mills & Company. Henry Miller, the other partner, died in 1882, his interests being taken over by his son, Frank, who remained with the institution until his retirement in 1904.

Darius Ogden Mills retired, at least temporarily, from active participation in the management of the Sacramento bank in 1862, and turned the management of the bank over to his brother and Henry Miller. His subsequent activities and the later history of the bank will be outlined with some detail in later chapters. Suffice it to say at this point, that in 1872 the Bank of D. O. Mills & Company became the National Gold Bank of D. O. Mills & Company. In 1883 its title was changed to the National Bank of D. O. Mills & Company, which was retained until October 29, 1925, when this pioneer banking house was merged with the California National Bank under the title of the latter. Although the Bank of D. O. Mills & Company was not the first to be established in California, it was almost the last of the old banking houses founded in the golden era to pass from the field.

Darius Ogden Mills knew banking in all of its various phases, and continually followed those principles and practices which always make for soundness and success. As a man, he was kindly, interested in humanity, and desirous of helping his fellow men, but his benevolent qualities never once caused him to waver from the course which every banker should pursue in conducting his business affairs. He died January 3, 1910, while on a visit to his winter home at Millbrae, California. His passing was mourned by rich and poor alike. From the later '70s until his death he had resided during the greater part of the year in New York City, where he was connected financially with many of the country's largest corporations, although he also retained his interests in California representing millions of dollars. In a memorial note, the *Coast Banker*, the leading financial organ of the Pacific Coast, declared in its issue of January, 1910, that,

"As one of that galaxy of California pioneers whose qualities and works inspire and retain the pride of later generations, he did his work and held his place in a strenuous time. The prizes of fortune, reputation and influence he won in his California career were not given by luck. He was, in an essential way, the ablest and best of those who won these things because they were strong, alert, sagacious and just.

"Had he not instinctively avoided publicity, he could have been a shining figure in the life of his time. To a man like him, the way to position and power of the more obvious sort is not long.

"The fortune he acquired was very large, but its size is a minor fact now. What will be noted and remembered, in association with his wealth, by those who knew him and by those who base estimations of human life on the realities of life, and on the things thereof that abide, will be the fact that his wealth was cleanly won, that it came from the legitimate development of the resources of California and America, and from the profits of legitimate business, conducted with masterful sagacity, and that throughout his life his name was never connected with pernicious or questionable corporate finance. Benevolence, justice, honor, wisdom and philanthropy went hand in hand with practical business."

In 1850 several other banking houses entered the field in Sacramento. T. Hutchinson & Company advertised during that year as "Bankers and Agents for the steamers *Gold Hunter* and *McKim*." Their office was on Front Street between M and L streets. The notices of Thomas J. Henley & Company appear as

Exterior, Branch of D. O. Mills & Company at Columbia

Present Interior, Branch of D. O. Mills & Company At Columbia

W. O. SLEEPER. A. E. HOOKER.

W. O. SLEEPER & CO.,

(SUCCESSORS TO D. O. MILLS & CO.)

BANKERS,

COLUMBIA, CALIFORNIA.

HIGHEST PRICE PAID FOR GOLD DUST.

DRAFTS on the Principal Atlantic Cities Bought and Sold.

CHECKS

On San Francisco, Sacramento, and Stockton, at Par.

A General Banking Business Transacted, and particular attention given to

COLLECTIONS AND REMITTANCES.

REFER, BY PERMISSION, TO

Messrs. Fretz & Ralston, Sather & Church, Tillant & Wilde, *San Francisco*

Messrs. D. O. Mills & Co., *Sacramento.*
" Mark Brumagim, *Marysville.*
" T. R. Bours & Co., *Stockton.*

Business Card of W. O. Sleeper & Company

EARLY BANKING DAYS IN COLUMBIA

early as January 1, 1850. That firm advertised that it purchased gold and silver ores and coins, received gold dust for safekeeping and sold bills of exchange on New York and the principal cities of the United States. The *Placer Times* of February 23, 1850, carried the following advertisement of Orlando McKnight, who was also the proprietor of the Sierra Nevada Hotel in Sacramento:

O. McKnight's Banking and Exchange Office, Sierra Nevada Hotel, Front St. corner of K, adjoining Sutter Hotel, Sacramento City, Calif.

The undersigned would respectfully inform Miners and the public generally that he has opened at the above place an office for Banking & Exchange in connection with the Express business, and has put up a building expressly for the purpose, prepared with safes and vaults, which will make special deposits of gold dust, papers or treasures of any kind perfectly secure.

Loans will be made and received on satisfactory security. Drafts in sums to suit purchasers furnished on all parts of the States or Europe. Gold dust bought and sold or forwarded by express to any part of the United States on the most favorable terms.

O. McKnight has made arrangements with Messrs. Dewey & Smith of New York City to attend to all Commissions in connection with the above business.

Mr. Dewey of the above firm will leave for the States by steamer of April 1st, and will take personal charge of all letters, packages, gold dust or orders entrusted to his care.

A special messenger in connection with Berford & Co.'s Express of San Francisco will be dispatched by every steamer.

Orlando McKnight.

On March 9, 1850, Henley & Company and Orlando McKnight merged under the name of "Henley, McKnight & Company, Banking, Exchange and Post Office." On May 31, the firm advertised itself as a "Banking, Exchange, Deposit and Discount Office." The partners were Thomas J. Henley, Orlando McKnight and S. Clinton Hastings. They failed in 1850.

In the early months of 1850 Barton Lee and P. B. Cornwall (the latter had previously represented Priest, Lee & Company of St. Louis) were conducting an "Exchange, Real Estate and Banking Office" in Sacramento, at which loans could be obtained and by which a general banking business was carried on. Cornwall retired on April 12, 1850, the business thereafter being conducted by Barton Lee, who was also interested in the wholesale lumber business and in the erection and sale of homes. Lee advertised

"a liberal rate of interest allowed on permanent deposits." He failed in 1850. Warbass & Company, at Second and J streets, advertised in April, 1850, as "Bankers, Exchange Brokers and Real Estate Agents," and also advised the public that they were the successors to the business of Thomas J. Henley and of Field & Company. They also announced that "For protection against loss by fire, Warbass & Company have purchased the large double safe formerly used by the Phoenix Bank of New York and believe it to be the largest and most secure of any in California." The partners were Thomas A. Warbass, William S. Heyl and John F. Morse. They were forced into bankruptcy in the fall of 1850. In February, 1850, L. Bartlett, Jr., began advertising himself as "Proprietor of the Miners' Bank and Real Estate Broker," with an office on J Street near Seventh. He informed the public that he was prepared "to receive treasures of all kinds on special deposit or otherwise," because he had one of the largest fireproof safes in the city. Loans were made by him on real estate as security, gold dust was purchased and sold, and certificates of deposit were given.

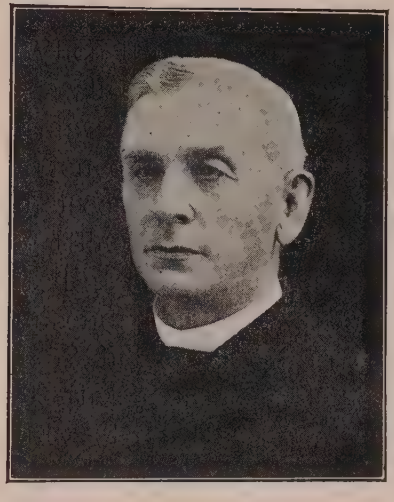
In April, 1850, John T. Little entered the Sacramento field and advertised the sale of exchange on various points in the United States and Europe. He also notified the public that he had safes in his office at Coloma for the deposit of gold. Carroll & Higgins, and John A. Read, were the Sacramento agents of B. Davidson and of Burgoyne & Company of San Francisco. Messrs. Henarie & Company represented Joseph B. Bidlemann, a San Francisco exchange and gold dealer.

So far as I have been able to ascertain, it appears that the first *bona fide* bank to open in Marysville was that of Cunningham & Brumagim, established in September, 1850. In 1854 the firm became Mark Brumagim & Company, the partners being Mark Brumagim, John A. Paxton, Morton Cheesman and J. H. Brumagim. In 1858 Peter Decker and John H. Jewett purchased the interests of Mark Brumagim and Morton Cheesman, and the title of the bank was changed to Decker, Brumagim & Company. Mark Brumagim, Morton Cheesman, John W. Brumagim, and Jacob H. Brumagim then established a bank in San Francisco at 100 Montgomery Street, operating as Mark Brumagim & Company. On August 7, 1861, Cheesman sold his interests in the San Francisco bank to Mark Brumagim, who with the other two partners con-

John H. Jewett

Peter Decker

John A. Paxton



Governor Frederick F. Low

PIONEER BANKERS OF MARYSVILLE

tinued under the same title until in 1863, when he became the cashier of the Pacific Accumulation Loan Company (later the Pacific Bank).

In 1861 Jacob H. Brumagim sold his interests in the Marysville banking firm to the other three partners and its title was changed to Decker, Jewett & Paxton. In 1863 Paxton sold out and opened a bank at Virginia City, Nevada. He retired from active participation in banking affairs in 1866, and settled in San Francisco. With the withdrawal of Paxton from the Marysville bank, A. C. Bingham was added to the partnership, the firm's name then being changed to Decker, Jewett & Company. It continued to be conducted as a private bank until after the death of Decker in 1888. It was then incorporated (November 12, 1888) as the Decker, Jewett & Company Bank. On May 15, 1918, it changed its title to the Decker Jewett Bank. This old pioneer bank still stands as the last remaining link with the golden romantic years of California's financial history. It has never been forced to close. Nor has it ever merged with or purchased any other banking house. May it long continue to occupy its unique position.

Both Decker and Jewett had come to California in 1849, Jewett being the first to arrive. John H. Jewett was born in Lynne, Conn., May 5, 1824. After clerking for some years in a store he came West, arriving in San Francisco, June 4, 1849. He mined at Horseshoe Bar, but not successfully, teamed for a few months, and then settled in Marysville in 1850. He started a general merchandise store with a Mr. Kasson, which later became Jewett & Cheesman, then Jewett, Cheesman & Company. In 1852, he was elected mayor of Marysville. In 1858, he was engaged in general merchandising with Scott & Van Tine, when he and Peter Decker became associated in the banking business. Jewett died on June 14, 1911. Decker was born in West Hanover, Penn., November 29, 1822. His family moved to Ohio in 1838. He came West with the gold rush, reaching Sutter's Fort, August 9, 1849, after having been 100 days in crossing the plains. After mining for two years he settled in Marysville, where he conducted a general store. He was successful, sold out in December, 1852, and visited the Atlantic states. He returned to Marysville, however, again started up in the merchandising business, was elected mayor in 1858, and from that date until his death on

November 12, 1888, was associated with Decker and others in the banking world.

Stockton, a little settlement on the San Joaquin River, became quite an active frontier town following the discovery of gold. It was the starting point for many miners who headed for the diggings, and it was also the stopping place for many who returned therefrom. By December, 1849, it had over 1,000 inhabitants. There were no places other than the offices of the express companies where miners could deposit their gold. Capt. C. M. Weber, the founder of the town, is said to have built the first vault in that city in 1851 for the safekeeping of gold. This vault was placed in his office on the corner of Eldorado and Channel streets. It was built of brick and adobe and had iron doors which cost $1,000, iron at that time being very scarce and high priced. There he received money, gold dust and valuables of all kinds for safekeeping, charging a certain per cent for the service. The following is a copy of a receipt given by Weber:

"Received of Stockton, 18 Aug., 1851, John Beingler, 1 bag containing 4 specimens coarse gold weighing 44 ozs., and two bags containing both together 176¾ozs. gold dust on deposit, depositor paying ½ per cent per month for safe keeping.

Weber and Hammond,
Per E. M. Howison."

Needless to say, the various express companies were also represented in the Sacramento and Stockton fields as well as in other communities, each of the more important firms having a local representative to serve the requirements of miners and others.

Speculation and gambling were the outstanding characteristics of every phase of California life in 1849-50. In industry and commerce the Californians eagerly assumed risks which business men in the older communities of the eastern portions of the United States would never have deemed worthy of serious consideration. Fortunes were made and lost under the most unheard of circumstances. Extreme recklessness dominated even the more ordinary business activities. Considering the conditions and the practices of the time, it is not at all surprising that during the first decade of American occupation the state was swept by ruinous waves of business depression which forced many firms into bankruptcy. The first serious check to the prosperity of

California came in the early months of 1850. The San Francisco fires of 1849 and 1850 had ruined many of the merchants and had greatly curtailed commercial activities. The rainfall during the winter of 1849 had not been sufficient to provide an adequate supply of water with which to work the placers. Eastern houses had sent large cargoes of goods which could not be absorbed by the scanty population. A considerable quantity of the supplies forwarded to California were not salable, either because they had been damaged by the ocean voyage, or because they were not adapted to the needs of a frontier people.

The markets continually experienced recurring periods of over-supply and scarcity, as a consequence of which business was always in an uncertain and precarious condition. Auction sales were the common feature of the commercial life of San Francisco. In the early months of 1850 it began to appear, however, that the future of business in practically all lines had been greatly overestimated. Real estate values had been inflated to a ruinous degree by the unbounded confidence of the people. As time passed it became increasingly difficult to obtain the necessary funds for those who had to remit to eastern merchants for goods which had been purchased. "Each succeeding remittance increased the difficulty; accommodations were more frequently asked, responses were made with reluctance, extraordinary negotiations were soon talked of, and finally a general distrust took possession of the public mind.

"Such a state of public feeling produced two difficulties so great that they were necessarily ruinous to men who chanced to be engaged in business which they did not sufficiently understand, with small capital, or large capital invested in real estate; and at that time many of the business men * * * were persons whose education and former pursuits had not qualified them for the positions they occupied. This was the case with the principal banking houses in existence just before the heavy bankruptcies of August and September. While public confidence supplied the means of progress and the facilities of growing exchanges, nothing was easier than the management of business; but when the people engaged in developing the wealth of the country began to withhold the expected supplies and demand the return of those already furnished, the troubles of the experimenters in business

began to appear."[22] Serious and widespread financial depression ensued.

Real estate in San Francisco, when forced onto the market, did not bring a tenth of its previous value. Some of the largest mercantile firms were forced to make assignments for the benefit of their creditors. Simmons, Hutchinson & Company, for example, failed with liabilities of $200,000. On September 7, 1850, a run was made upon the banks, forcing Naglee & Company to close their doors. Naglee, however, subsequently paid every dollar of his obligations, so that depositors and creditors lost nothing. Burgoyne & Company, Wells & Company, and James King of William kept their doors open after the usual banking hours and were able to weather the storm unscathed.

In Sacramento, foreclosures on real estate loans brought from one-fourth to one-eighth of the principal advanced. The first firm to go to the wall was that of Barton Lee, representing a capital of about a million and a half dollars. A few days later, Henley, McKnight & Company, B. F. Hastings & Company, and Warbass & Company made assignments. B. F. Hastings & Company later reopened, but again failed in 1871. Many merchants did likewise, and "in a few weeks the intoxicating progress of the city was arrested by a perfect prostration of confidence, an utter skepticism concerning the value of real estate, and a general excitability of the public mind."[23]

The speculative spirit of the Californians, however, was not so easily curbed, and after a few months of cautious buying and selling, conditions in the business world became as uncertain and as unsettled as before the crash. With every encouraging bit of information regarding the mines that filtered through to the East, additional supplies were shipped into the state. The market again became overstocked, business was depressed, prices and wages were reduced, and the outlook appeared to be most discouraging. The situation was further complicated by the refusal of the eastern shippers to extend credit to the local merchants. In May and June, 1851, fires again swept the tent and wooden-shanty town of San Francisco, causing a loss of approximately $10,000,000. A reign of violence and crime in San Francisco

[22] G. F. Wright, editor, History of Sacramento County, Oakland, 1880, p. 134.
[23] Ibid.

necessitated the formation of the First Vigilance Committee and hindered the return to normal business conditions. The state again experienced an extremely dry winter in 1850, so that the placers could not be worked satisfactorily. It was not until the fall and winter of 1852 that market conditions steadied themselves and that the merchants and bankers of California again looked forward hopefully to the future.

CHAPTER IV

THE FIRST STATE CONSTITUTION

With the successful outcome of the Mexican war and the ceding of California to the United States, it was felt that the first thing that Congress would do would be to provide a territorial form of government for California, adequate to meet the requirements of the situation. In spite of the urgent recommendations of President Polk, it refused to act, primarily because of the controversy then being waged between the representatives of the North and the South over the issue of slavery. The Californians, however, would not wait. They were insistent upon having a government of some sort, even though Congress had not seen fit to authorize it. During the latter part of 1848 and the early months of 1849, meetings were held at various places and a demand was made that something be done to attain the desired end. Colonel R. B. Mason, the military governor, was powerless to act even though he had wished to do so. President Polk likewise could do nothing without the sanction of Congress, and for the time being that was not forthcoming.

When General B. Riley succeeded Mason as military governor on April 12, 1849, the people found that they were dealing with a determined individual who was as eager as they to accomplish the desired result. Taking matters into his own hands, Riley issued a call for a Constitutional Convention to meet at Monterey on September 1, 1849. Some of the San Francisco newspapers objected to his action, claiming that a military governor had no legal or other right to call a convention for the purpose of establishing a civil government for the territory. That objection, however, was surmounted by the efforts of Peter H. Burnett, later the first governor of the State, who brought together a small group of citizens and called a Constitutional Convention to meet at the same time and place as that proposed by General Riley.

The election of delegates occurred on August 1, 1849; the

Convention assembled at Monterey a month later. Of the forty-eight delegates present, fourteen were lawyers, eleven farmers, and eight merchants, a few were commissioned army officers, one was a printer and one a physician. Only one delegate, Manuel Dominguez from Los Angeles, was registered as a banker, but I have been unable to find any data that might tend to show that he was at that time or that he had ever been engaged in banking activities in the southern part of California. Fifteen of the delegates had migrated from the Southern states and twenty-three from the Northern states, a few were registered as having been born in foreign countries, while the remainder were native Californians.

Some days were spent in organizing the group, in appointing committees and in drafting the preliminary reports on the proposed Constitution. It is impossible for us to concern ourselves with the greater part of the work of that notable assembly. In this place we are interested only in its debates and decisions as they affected the subsequent development of financial institutions in California.

It was not until Monday, September 17, that the Convention in Committee of the Whole undertook the consideration of those sections of the majority report of the Committee on the Constitution relating to banks and corporations.[1] They were as follows:

31. Corporations may be formed under general laws, but shall not be created by special act, except for municipal purposes, and in cases where, in the judgment of the Legislature, the objects of the corporation cannot be attained under general laws. All general laws and special acts passed pursuant to this section, may be altered from time to time, or repealed.

32. Dues from corporations shall be secured by such individual liability of the corporators and other means as may be prescribed by law.

33. The term corporations, as used in this article, shall be construed to include all associations and joint stock companies having any of the powers or privileges of corporations, not possessed by individuals or partnerships; and all corporations shall have the right to sue and shall be subject to be sued, in all courts in like cases as natural persons.

34. The Legislature shall have no power to pass any act

[1] The following discussion of the proceedings of the Convention is based upon J. Ross Browne's stenographic "Report of the Debates of the Convention of California on the Formation of the Constitution in September and October, 1849," published in Washington in 1850, pp. 108-136.

granting any charter for banking purposes; but associations may be formed under general laws for the deposit of gold and silver.

35. The Legislature shall have no power to pass any law sanctioning in any manner directly or indirectly the issuing of bank notes of any description.

36. The stockholders of every corporation or joint stock association shall be individually responsible to the amount of their respective share or shares of stock in any corporation or association for all the debts and liabilities of every kind.

The above sections had been taken verbatim from the Constitution of the State of New York, which had been adopted in 1846. Immediately, a most vigorous attack was launched against them, especially against those sections (34-35) which concerned banks and banking.

J. M. Jones, one of the representatives from the San Joaquin district, assailed Section 31 as permitting the establishment of banks in California. He moved to strike it out and, if in order, also the four succeeding sections, and to insert in lieu thereof the Second Section of Article 9 of the Constitution of Iowa, which had been adopted by the voters of that state in August, 1846, and which specifically prohibited the incorporation of banking institutions.[2] Jones, however, at the request of W. M. Gwin of San Francisco (later United States Senator from California), withdrew his motion so as to enable the latter to offer the following as a substitute for Sections 31-36:

"Sec. 1. No corporate body shall be created, renewed, or extended, with the privilege of making, issuing, or putting in circulation any bill, check, ticket, certificate, promissory note, or other paper, or the paper of any bank, to circulate as money. The Legislature of this State shall prohibit by law, any person or persons, association, company, or corporation, from exercising the privileges of banking, or creating paper to circulate as money.

"2. Corporations shall not be created in this State by special laws, except for political or municipal purposes; but the Legislature shall provide, by general laws, for the organization of all other corporations, except corporations with banking privileges, the creation of which is prohibited. The stockholders of every

[2] Section 2, Article 9 of the State Constitution of Iowa, adopted in 1846, was as follows: "Corporations shall not be created in this State by special laws, except for political or municipal purposes, but the General Assembly shall provide, by general laws, for the organization of all other corporations, except corporations with banking privileges, the creation of which is prohibited. The stockholders shall be subject to such liabilities and restrictions as shall be provided by law. The State shall not, directly or indirectly, become a stockholder in any corporation."

corporation or joint stock association, shall be personally and jointly responsible for all its debts and liabilities of every kind. The State shall not, directly or indirectly, become a stockholder in any corporation. All general laws and special acts passed pursuant to this section, may be altered from time to time, or repealed; and all corporations shall have the right to sue, and shall be subject to be sued, in all courts, in like cases as natural persons."

M. Norton, of San Francisco, Chairman of the Committee on the Constitution, in speaking for the majority of that committee, claimed that the object behind the proposed sections (Sections 31-36) was to prevent the formation of corporations by special act except for municipal purposes and except in those cases where, in the judgment of the Legislature, the purpose of the corporation could not be obtained under the general laws. It is surmised that the majority of the committee undoubtedly had in mind the experience of the eastern states which had suffered so grievously from the abuses resulting from the granting of special charters to banking institutions. They were willing to follow the precedent of New York, which had passed a "free banking" law on April 18, 1838, under the provisions of which it was no longer necessary for individuals to lobby before the Legislature for special banking charters. That law required that banks had to be chartered under a general act and had to operate under the nominal control of the Comptroller of the State of New York. Norton declared that the members of the committee were acquainted with the opinions of a majority of the Convention respecting banking institutions, and with that in mind had very carefully gone over the constitutions of the different states, selecting such provisions as were considered necessary to prohibit the Legislature from granting charters to banking corporations or from permitting corporations of any kind to have the right to issue paper money or its equivalent. Under the proposed sections nothing would be allowed to circulate as money except gold and silver. He stated that not only a majority of the committee but also a majority of all the delegates present firmly believed that corporations should not be established for banking purposes. In conclusion he expressed the opinion that there were very few points of difference between the majority report and the substitute proposed by Gwin.

Jones again arose with the declaration that he was opposed to the creation of corporations by special act of the Legislature, because if such power were granted to the latter it would most probably be abused. He had seen a corporation organized in New Orleans, ostensibly as an insurance company, engaged in the business of selling pork. He was fearful that in spite of all the prohibitions contained in the sections proposed by the committee it would still be possible for a company to be incorporated with the avowed object of molding tallow candles which next day might be found issuing bank notes. He insisted that the Constitution should prevent, as did the Constitution of Iowa, the issuing of any bill, ticket, check or promissory note to circulate as money. He was opposed to the recommendations of the committee because he was certain that the sections in question prohibited only the circulation of bank notes. A check and a certificate of deposit, although not bank notes, might very easily circulate as money under the proposed sections.

H. W. Halleck of Monterey called the attention of Jones to the fact that Section 34 prohibited the establishment of a corporation for banking purposes. Jones, however, retaliated by asking Halleck whether or not he would call a tallow candle manufacturing company a corporation organized for banking purposes, inferring that corporations, although not organized ostensibly for banking purposes, might, under the proposed section, actually engage in such activities. Jones also attacked Section 34 on the ground that it allowed associations to be formed under the general laws of the State for the deposit of gold and silver. He maintained that if a corporation were given the power to receive gold and silver, it would also have the right to issue certificates of deposit for the same made payable to bearer, and that there was nothing in the proposed Constitution which would make it impossible for such certificates to circulate as money. He was certain that Section 34 created a most irresponsible type of banking corporation, because all of the usual safeguards would be absent. It imposed no requirement that a bank should have a fixed amount of capital, nor would it be probable that a bank would pay any attention to any other restrictions that ought really be thrown about it.

W. S. Sherwood, from the Sacramento district, was in favor of the report of the majority of the committee, claiming that the

sections enumerated had been taken bodily from the Constitution of New York and that they had been based upon the experience of that state. In New York the evils attendant upon the granting of special charters to banks had become so great that its Constitutional Convention had deemed it advisable and necessary to require the Legislature to pass general laws under which all state banking corporations were compelled to organize.

After taking a short recess the Convention was addressed by Dr. R. Semple of Sonoma, who stated emphatically that almost from boyhood he had been opposed to practically all principles of banking. He had not talked with a single member of the Convention who was not of the same opinion as himself. He could not see the necessity of wasting the time of those assembled in making long speeches when not one delegate was in favor of establishing a banking system. He was sure that all present were eager to avoid putting anything in the Constitution which would in any way make possible the establishment of banking corporations.

At this point of the debate, R. M. Price of San Francisco entered the lists as a most bitter opponent of the majority report. He maintained that there was nothing that had come before the house or could come before it that was of greater importance from the standpoint of the future well-being of the State of California than the question of establishing a banking system. In most vigorous terms he declared that he was in favor of prohibiting the Legislature from passing any general laws or special acts which would authorize corporations to carry on any species of banking functions. He hoped that the Convention would not be guided by the experience of the Constitution of New York, because California and the people of California faced an entirely different situation from that which had confronted the people of New York when they revised their Constitution in 1846. California had no chartered banks, while New York in 1846 had several hundred which had succeeded in saddling upon the public a bank note circulation of approximately $105,000,000. California was a young and virgin territory without any banks and possessed of great natural wealth, unparalleled in extent. The mines of the state were daily yielding $300,000 in gold to the treasury of the world, more than sufficient to pay for all the supplies that were being brought into the state. There was no occasion for resorting to a fictitious money, such as paper cur-

rency, with its innumerable evils from which other states had suffered. The New York Constitutional Convention in 1846 had been compelled to reform and restrict banking privileges for the purpose of correcting certain outstanding abuses. California, however, faced no similar state of affairs. Her citizens expected the Convention to protect the commercial and laboring classes from all those frauds and abuses which inevitably result from the substitution of the credit and paper money of legalized banking institutions for the metallic money of the world. He declared that the people demanded no extraordinary privileges; they only asked for a sound currency, a currency produced from their own soil. "Let us," he urged, "provide then the strongest constitutional safeguards against the vicissitudes which we know the people of the United States have suffered. Aye, sir, and this is the time and place to cut off the head of this monster serpent, paper money, which, I fear, may creep in and sting us, if we adopt the report of the committee. Our enlightened knowledge on this subject makes us unanimous in the opinion that no bank charters, no paper money, either of individuals or corporations, ought to circulate as currency."

Price was fearful that the majority report would permit the Legislature to incorporate associations which would be able to issue paper money, for would they not receive deposits of gold and silver, and issue certificates of deposit therefor which would undoubtedly circulate as currency within a very short time! Entering the realm of prophecy, he declared that, "Our commercial capital, San Francisco, is, in my opinion, destined to be the centre of the exchanges of the world, and is destined to supply the world with a large share of its currency."

Jones again arose and brought forth his contention that the section providing for the incorporation of associations for the deposit of gold and silver would permit the issuance of paper certificates of deposit. Such associations would be to all intents and purposes nothing but banks and the worst sort of banks. "Where is their stock?" he asked. "What are the individual speculators liable for? You bind them by a bond? What is a bond? Can not any lawyer pick a flaw in a bond? Give me private and individual responsibility. * * * I am prepared to go to any extent against banks in this country. The inhabitants are against them; public opinion everywhere is against them. We

have a metallic currency here, which is worth all the banks in the world."

Gwin followed Jones and stated that public sentiment in California was such as to render it impracticable for any provisions to be introduced into the Constitution which would even in the remotest degree countenance the creation of a banking system. Norton thereupon countered Gwin's statement with a declaration that the Committee on the Constitution had not introduced any proposals in favor of banking or in favor of giving the Legislature power to create banks in any form. Gwin in reply said that public opinion throughout the United States was against a banking system. He felt most reluctant to buckle on his armor worn in many a hard fought battle on that subject and to contend for the rights of the people against monopoly and the legalized association of wealth to appropriate the labor of the many for the benefit of the few.

Gwin bitterly attacked the report of the majority of the committee. With forceful language he declared that, "Sir, the committee speaks out in the boldest language when it places some restrictions upon banking; it is then the bank shall not do this, and the bank shall not do that; but when they wish to steal from the people the nucleus around which a monied oligarchy may be built up in the country, the subject is approached—let me say with all due respect to the committee, whose motives I in no wise impugn—in real petit larceny style; aye, with the cringing sycophancy of the beggar asking alms while filching your purse from your pocket." He said that such was the case because the words "bank" and "corporation" did not appear in the proposed sections; their presence might have alarmed the people. The word "association," however, was the magic term designed to remove all objections and to do away with all complaints. He feared that unless the sections were amended there might grow up in California a mammoth state exchequer more dangerous to the liberties of the people than any foreign enemy. He declared that although bank notes were prohibited with great parade, not a word was to be found directed against the use of bank certificates of deposit which would undoubtedly soon flood the country unless the suggested sections were modified. He begged the members of the Convention to remember how the United States was swamped with post notes, corporation and individual tickets,

and in many instances with certificates of deposit during the wildcat banking period of 1836-1840. If an exhibit were to be made before the Convention of the various kinds of paper money in circulation during those few years he knew that it would make a curious spectacle. He had seen upwards of one hundred kinds of money that had been in use at that time and felt that if he could but place them before the Convention, they would be the only argument needed to nip the pending agitation in the bud. He accused the committee of having emasculated the sections, taken from the New York Constitution, by striking out those parts that might possibly have alarmed the delegates present. If it were necessary for California to have banks, he considered it far better to have private bankers, who, if they should abuse the confidence of the people, could be punished by law, indicted, and placed in the penitentiary.

Gwin pointed to Stephen Girard of Philadelphia, a private banker, as having conducted the safest bank in the United States. No person had ever lost a dollar by depositing with him, while others had been beggared through the bankruptcy of the Second Bank of the United States, a corporation. He cited the experience of the private banks of Europe, such as the Rothschild's, the Baring's, the Brown's and others, which controlled the finances of the world, but which had never incorporated for the purpose of receiving deposits of gold and silver. Havana, with a commerce of millions annually, had never had a bank and had never had any paper money. New Orleans, at that time the largest exporting center in the United States, had no banks because banks had been prohibited by the State Constitution. He also referred to the case of J. Hobson of San Francisco, a member of the Convention, who, he claimed at various times, had had on deposit in his store $100,000 or more in gold dust; also L. Dent of Monterey, another delegate, who likewise had held from $30,000 to $40,000 on deposit in his store at the mines, and without any expense to the owners. If it were necessary to have a banking system in California he was strongly in favor of the establishment of private banks.

Gwin concluded his address with the remark that "Misery, ruin and destruction to the citizens, and prostration of the public credit follows the banking era of 1834, '35, '36, and '37. The private wealth and public prosperity which it was predicted would

result from the system, like dead sea fruit, burned to ashes on the lips, while our banks of gold, if left unrestricted by improper legislation, will yield a rich reward to the laborer for his toil, and ensure to the country a permanent prosperity."

Sherwood answered Gwin and undoubtedly surprised the members of the Convention by saying that although he felt that the country did not need a banking system, he did not have any fears regarding a well regulated banking system such as that which prevailed in New York. He did not entertain the horror that Gwin had expressed about banks of every description. He felt sure that Gwin had undoubtedly been reared in a part of the country where sufficient safeguards had not been thrown around banking corporations. He called the latter's attention to the situation in New York, where banks were organized under the general laws of the State and were compelled to have their entire capital stock paid in before they could begin business. If they wished to issue bank notes they had to secure them dollar for dollar by a deposit of the bonds of the State of New York or of the Federal government. Such bank notes had circulated at par and had not resulted in any of the evils mentioned by previous speakers. He carefully analyzed the proposed sections of the Constitution and challenged Gwin to "find any room for the man of straw which he had pictured to the House." He claimed that it was a settled principle that the people will use the currency they like best and that it is impossible to force any kind of money onto the people if they are opposed to it. He could find no basis for any "of those terrible phantasies which disturb the mind of the gentlemen from San Joaquin and San Francisco [Jones and Gwin]. The raw-head and bloody bones does not appear before me," he continued, "because the soul and body are not there. We have given no banking power to the Legislature. We have said expressly that they never shall charter a bank; they never shall allow any association with corporate powers to issue bank bills." The Legislature under the proposed sections, he claimed, would have the power to create certain necessary associations for the deposit of gold and silver without which Californians would be seriously inconvenienced. The people have to deposit their money somewhere and it would be better that they leave it with well known and reliable public associations rather than with irresponsible private establishments. He could not appreciate Gwin's

fearful visions, especially when the latter distinctly knew that the committee, which had proposed the sections, was opposed to the establishment of banks. He challenged Gwin to produce proof that the committee had "carefully" kept the word "bank" under cover for the purpose of deceiving the public. It was possible that within five years the population of California might grow to be a million with a commerce of fifty millions. Would not they then present a strange spectacle to the world with no legalized depositories for their money, with a Legislature powerless to create them, with a positive prohibition on the right to issue paper money as a medium of exchange, and with the people denied the right to deposit their gold and silver with legalized associations and to receive therefor certificates of deposit or bills of exchange!

At that point in the debate Gwin arose and proposed the withdrawal of his amendment in order to prevent further discussion as to its wording, whereupon F. J. Lippitt of San Francisco moved to amend Section 31 by striking out the words "and in cases where, in the judgment of the Legislature, the objects of the corporation cannot be attained under general laws."

Price, in replying to Sherwood, declared that the commercial operations of California were already very extensive and that the people had not as yet asked for the establishment of associations privileged to receive deposits of gold and silver. He was opposed to such organizations because they could only result in the consolidation of capital. The people could conduct their affairs very satisfactorily without them. He thought that exchanges of every kind, both domestic and foreign, could best be carried on by individuals. There were in San Francisco already a number of places where individuals had constructed safe depositories for gold dust or coin. He was opposed to giving the Legislature the power to pass a general law which would bring corporations into existence able to compete with those individuals who had satisfactorily carried on banking activities in the absence of legislative enactments. He felt that private bankers would keep pace with the requirements of the country, and urged the delegates not to adopt any clause which would have the least shadow of a banking institution in it. The Convention then adjourned to meet the following day at 12 o'clock.

On Tuesday, September 18, other matters occupied the attention of the assembled delegates until the evening session. C. H.

Botts of Monterey then opened the discussion upon the banking and corporation sections of the committee's report. He warned his hearers that everyone who had a constituency at home would be made to feel the effects of his decision on the question under debate. He was opposed to any corporation being given exclusive privileges and especially was he opposed to the organization of banking corporations. His chief object, therefore, was "to crush this bank monster."

Botts undoubtedly amazed his associates by declaring that if it were decided to abolish banks it would be necessary to give the people a paper circulating medium, because a mercantile community demanded money which was more portable than gold and silver. He argued that if the people were not provided with a good, reliable paper currency they would create a bad one for themselves. No matter how many provisions the Convention might enact for the purpose of preventing the establishment of banking institutions, if a loophole were left "this insinuating serpent, a circulating bank, will find its way through, because of the absolute necessity of the community for a paper currency." He proposed that the Treasurer of the State open a place for the deposit of gold and silver and issue certificates of suitable denominations for the amount deposited, dollar for dollar, payable on demand. These should circulate as money and the State should be held responsible to see that they were accepted at their face value. He quoted Daniel Webster as having declared that the greatest evil with which any nation could be afflicted was an irredeemable circulating paper money, and expressed the hope that there was not a member present who did not fully realize the ruinous effects of paper money, or who would conceal his opinion and attempt to steal through the Convention a bank in disguise. Bankers, to him, were "the sharpest and cunningest of men."

The delegates should weigh well every word used in the debates, because, Botts said, "I tell you, sir, these banks can creep through an auger hole; they can get into this country through the smallest place you ever saw in your life; and I will endeavor to show you, when I come to the proper place, that there is a clause in this bill which will admit the enemy I speak of into our midst." Botts further stated that if individuals were permitted to issue their own paper money for circulation as currency, there would be fifty or one hundred kinds of paper money in the country

within a very short time. And, showing a rather surprising knowledge of some of the fundamental principles of money, he informed the delegates that the worst of these currencies would, unfortunately, drive the better currencies out of circulation. As a consequence there would be constant failures in business with all those accompanying disasters which usually result to a community because of the circulation of an irredeemable and depreciated paper money.

Botts objected seriously to the idea that individuals should be permitted to issue certificates of deposit and have them circulate as money, because he had noticed that in other states individuals, in time, had been replaced by larger associations, whose paper money had always displaced that issued by the former. He was not satisfied with the clause in Section 34 which would prohibit corporations from being chartered for banking purposes and thus not permitted to issue paper money. He insisted that the evils arising from the issuance of paper money whether by corporations or by individuals would be equally disastrous to the welfare of the country.

Norton in replying to Botts called attention to the fact that the report of the majority of the Committee on the Constitution contained nothing in favor of a system of banking. In fact, no person in the Convention had been so bold as to advocate its establishment. Botts, however, replied that he was fearful that banks might steal into the Constitution of the State in spite of the vigilance of the committee.

Jones then arose to say that he thought that he had discovered a clause which he considered would provide an opening for the organization of a small bank and that in accordance with this idea he had gone so far as to draw up a facsimile of a bank bill which might be put into circulation as a certificate of deposit. He suggested that such banks if they could be organized in line with his suggestion would prove to be very respectable fiscal agents. He then exhibited an etching of his proposed bank note and called the attention of the Convention to the fact that it was to all intents and purposes a bank note although it professed to be nothing other than a certificate of deposit. He thought that it would make a very excellent and beautiful circulating medium which no court in the country would condemn as being in violation of the terms of the section under discussion. He claimed that such bank

notes would prove to be the worst and most irredeemable kind of bank paper ever imposed upon a community. In conclusion he remarked that any man who would vote for a clause permitting such certificates to be created would likewise vote for the establishment of a bank.

The question was then called for. Botts withdrew his proposal for State treasury certificates, and the vote being taken on sections 31, 32, and 33, they were adopted to read as follows:

"31. Corporations may be formed under general laws, but shall not be created by special act, except for municipal purposes. All general laws and special acts, passed pursuant to this section, may be altered from time to time or repealed.

"32. Dues from corporations shall be secured by such individual liability of the corporations, and other means, as may be prescribed by law.

"33. The term corporations, as used in this article, shall be construed to include all associations and joint stock companies having any of the powers or privileges of corporations not possessed by individuals or partnerships, and all corporations shall have the right to sue, and shall be subject to be sued, in all courts in like cases as natural persons."

Section 34, which was to the effect that "The Legislature shall have no power to pass any act granting any charter for banking purposes; but associations may be formed under general laws for the deposit of gold and silver," was then debated. Gwin moved to strike out all that part of the section following the word "purposes." Norton, in vigorous manner, suggested that even though Gwin's amendment were adopted individuals and associations would still have a right to open up offices for the deposit of gold and silver against which certificates of deposit could be issued, and that no Legislature or Constitution could prevent their doing so. The object of the section in question was to clothe the Legislature with power to provide for the protection of depositors of gold and silver. He claimed that if such protection were afforded by the laws of the State and if such depositories were thus rendered perfectly safe, it would be far better for the people as a whole than if they had to depend upon individuals who would carry on their business without being governed by any legislative restrictions or regulations whatsoever.

Gwin, replying to Norton, assured him that banks of the very

worst kind could be formed under the terms of Section 34 as originally proposed, and that accordingly he was desirous of amending it in the manner suggested. He held that the only argument worthy of consideration that thus far had been advanced in favor of the section as it stood was that some persons had claimed that as California developed into a great commercial commonwealth, she would find such associations to be absolutely essential to the proper transaction of her increased business. He made a prophecy, never to be fulfilled, that before such a necessity should exist the people of California would meet in convention and draft another Constitution. He felt that it was the duty of the delegates to the people as a whole to prohibit the establishment of banking institutions in California. He begged them to exclude from the Constitution anything that might give the least shadow of power to the Legislature to create any kind of banking corporation.

H. A. Tefft, from the San Luis Obispo district, followed with the remark that he believed associations for the deposit of gold and silver were actually required in California at that time. The mere fact that they existed was sufficient proof that they were necessary. He was in favor of Section 34 as it stood because he felt that it would provide additional protection to individuals who deposited gold and silver with such associations.

Halleck again took the floor and advised the Convention that the members of the Committee on the Constitution had been unanimous in their decision to prohibit banks and the circulation of bank notes. He thought that if there were any fear that the clause as it stood did not prevent the circulation of bank notes in one form or another, such prohibition could be very easily provided by means of amendments to the clause in question.

Jones again came forward with his frequently expressed fear that associations formed under the general laws of the State for the deposit of gold and silver would have to issue certificates of deposit, because the latter would be the only means by which such deposits could be proved. No matter how many laws were passed prohibiting a bank from putting a picture in one corner or making the certificates look as much like bank bills as possible, such laws would prove to be completely ineffective. The depositories of gold and silver would have to enter the realm of commerce and would undoubtedly solicit deposits at a premium that would

not allow such deposits to lie idle in their vaults; they would also undoubtedly engage in active speculation.

Upon the vote being taken on Gwin's amendment to strike out the latter part of Section 34, eighteen delegates voted in favor of so doing while nineteen opposed it. Gwin was not willing to admit defeat and consequently offered the following amendment to the same section: "And the Legislature shall pass penal enactments for the punishment of the officers and stockholders of any association that may be formed under the authority herein granted, or any other person or persons who shall be convicted of making, issuing, or putting in circulation, any bill, check, ticket, certificate of deposit, promissory note, or other paper, or the paper of any bank, to circulate as money."

Semple, who had stood with Gwin in his attempt to modify the second clause of Section 34, broke company with him at this point and declared that if associations for the deposit of gold and silver were to be formed it would be necessary for them to issue certificates of deposit and that there was nothing that could be done to prohibit the circulation of such certificates as money. He was not in favor of banks or paper money, but nevertheless felt that Section 34 would be an absurdity if the amendment proposed by Gwin were added. Semple argued that those familiar with the wildcat banking in the eastern states during 1834, 1835 and 1836, knew full well that certificates of deposit and post notes had been circulated to the amount of millions of dollars for the purpose of evading the law. The greatest caution was needed to prevent such associations from encroaching upon the rights of the people.

Botts at this point again arose and declared that the original clauses of Section 34 were fraught with evil. It appeared to him to be the wooden horse introduced by the Greeks within the walls of Troy; he greatly feared that there were Greeks in the midst of the assembled delegates.

Tefft cited the experience of Wisconsin, whose first Constitutional Convention inserted a provision in the Constitution providing against the circulation of any kind of bank money and making it a penal offense for anyone to have in his possession a bank bill or to attempt to pass it. That Constitution had been rejected by the people. Immediately thereafter another Convention was called and the same article was inserted in the Constitution but

with the penal offense clause omitted, and that Constitution had been adopted. He was sure that no member of the Convention could be blind to the disastrous results of a system of banking and expressed the hope that there was no wish on the part of any delegate to introduce a banking system into California. The state, he felt, was richly gifted with precious metals and did not require the introduction of a fictitious medium of exchange.

Tefft urged the Convention, however, to avoid enacting excessive and onerous restrictions which would result only in injury to the commercial interests of the country. He opposed Gwin's amendment primarily for the reason that the transfer of certificates of deposit for the legitimate purposes of business was a necessity and that it would be impracticable to enforce penalties upon persons who would violate the law. Semple arose to say that the Constitution would be rejected by the people if it contained a clause making it a penal offense for a man to carry a certificate of deposit in his pocket.

In an effort at compromising the warring factions, Halleck offered an amendment to Gwin's amendment, proposing that the following clause be added to Section 34 as it originally stood:

"But no such association shall make, issue, or put in circulation, any bill, check, ticket, certificate, promissory note, or other paper, or the paper of any bank, to circulate as money."

Botts then pointed out that with the penal clause omitted, nothing could be done to an individual who issued paper money in violation of the Constitution. L. W. Hastings, from the Sacramento district, replied that it was incumbent upon the Legislature to pass a law which would punish all persons violating a clause of the Constitution. The Convention was called upon only to draft the organic law of the State and not to pass penal measures. Halleck's amendment was put to a vote and adopted.

The discussion then reverted to Section 34 as amended. K. H. Dimmick, of San Jose, thereupon declared his opposition to the adoption of the proposed amended section because he felt that it would make possible a dangerous and unnecessary practice. The business of the country had thus far been transacted very satisfactorily by individuals and without the aid of the proposed banking corporations. Individuals could act as depositories much more cheaply, because they were not compelled to devote all their time to the business. They had smaller overhead costs, because they

did not have to pay for the services of a president, cashier, teller, etc. Expenses in general would be less, and the community would always search out the most reliable places of deposit without the necessity of legislative interference.

Section 34 as amended was then read and adopted as follows:

"The Legislature shall have no power to pass any act granting any charter for banking purposes; but associations may be formed under general laws for the deposit of gold and silver. But no such association shall make, issue, or put in circulation, any bill, check, ticket, certificate, promissory note, or other paper, or the paper of any bank, to circulate as money."

Section 35 was next placed before the house for discussion. It was as follows:

"The Legislature shall have no power to pass any law sanctioning, in any manner, directly or indirectly, the issuing of bank notes of any description."

Hastings and Halleck both claimed that it contained substantially the same prohibition as Section 34. The delegates therefore voted to eliminate it completely. O. M. Wozencraft, of San Joaquin, then offered the following as a substitute:

"The Legislature of this State shall prohibit, by law, any person or persons, association, company, or corporation, from exercising the privileges of banking, or creating paper to circulate as money."

In a final plea, Jones begged the Convention to realize that the sections of the Constitution which had been adopted prohibited the Legislature from granting any charter for banking purposes, but that they on the other hand tacitly allowed any person or persons, association, or company, except those particular associations organized for the deposit of gold and silver, to exercise any of the privileges of banking. He wisely called the attention of the group to the fact that nothing that the Convention had done up to that time would in any manner prohibit any association from carrying on banking functions even though it were organized for other purposes. The vote was taken on the section proposed by Wozencraft and it was adopted.

The Convention next took up Section 36 of the majority report, which was as follows:

"The stockholders of every corporation or joint stock association shall be individually responsible to the amount of their respective share or shares of stock in any corporation or association for all its debts and liabilities of every kind."

Jones moved the following substitute, which was passed without debate:

"Each stockholder of a corporation or joint stock association shall be individually and personally liable for his proportion of all its debts and liabilities."

So far as I have been able to ascertain this last mentioned section, which established proportional liability for stockholders, was original with the California Constitutional Convention. It is to be found in no other state constitution either of that time or of any later date. One is at a loss to account for this strange and unique divergence from the customary practice of imposing limited or double liability upon stockholders, especially since California, up to that time, had had no experience with corporations which was in any regard different from that of those eastern states which framed their constitutions at about the same time and which in all cases continued to follow the principle of limited liability for stockholders. During the next thirty years, however, the abuses of corporations and monopolies in California were so flagrant and so far-reaching in their effect and the losses suffered by the people were so serious that one is not surprised to find the delegates of the Second Constitutional Convention in 1878-1879 insisting upon the retention of this principle of proportional liability.

Thus, after two days of vigorous debate, the delegates of the First Constitutional Convention of California placed themselves definitely on record as opposed to the establishment of banking institutions empowered to issue paper money. They had voted, however, to permit banks to be created under general laws to be enacted by the Legislature, and to have them granted the right to accept deposits of gold and silver. But that was all. In later chapters we shall see how within a few years after the adjournment of the Convention there arose a serious discussion as to whether or not such banking houses might also make loans, discount commercial paper, and perform other banking functions.

We shall also note that by prohibiting the issuance of bank notes in any form, the delegates were flying in the face of the com-

monly accepted practice of eastern states, and that as a consequence there were some interesting attempts at evasion on the part of a few of the local banks. All of these attempts, however, failed dismally because the people of California refused to have anything to do with paper money. They were completely satisfied with the gold and silver of their own mines, and cared not for paper promises to pay, no matter in what form they were printed or secured. Even when during the crisis of the Civil War the Federal government established the national banking system, so as to assist in financing that conflict, the Californians bitterly and successfully opposed the establishment of national banks within the borders of the state because of the fear that such institutions would flood the market places with their bank note currency. It was not until 1870 that the first national bank was established in California, and then only after the National Bank Act had been amended to permit a certain kind of national bank to issue bank notes secured by gold coin, thus making such notes practically the equivalent of gold certificates. But, however, during the period of the participation of the United States in the great European War, the Californians, at first reluctantly and then more willingly, abandoned the metallic money of their forefathers and acquiesced in the circulation and acceptance of government paper money and bank notes in unlimited amounts.

In analyzing the reasons for the energetic and determined opposition of the delegates of the First Constitutional Convention to the introduction of a banking system with its accompanying bank note currency, it is well to note that twenty of the delegates had been residents of those states in which thorough-going restrictions had been imposed upon the activities of state banks following the financial crisis of 1837, which restrictions were for the most part aimed at preventing the myriad of abuses which had been caused by the circulation of bank notes. Out of the forty-eight delegates to the Convention, ten had emigrated from New York, one from Texas, one from Wisconsin, one from Pennsylvania, two from New Jersey, four from Louisiana, and one from Illinois.

Among those who had taken an active part in the debate, Jones, Gwin and Wozencraft had migrated from Louisiana, which a short time previously had prohibited the incorporation of banking institutions. Norton, Sherwood, Halleck, Tippit, and Dim-

mick were from New York, which in 1846 had adopted a Constitution containing the debated sections submitted to the California Convention by the majority report. Tefft had been in California only four months, having come from Wisconsin, which in 1848 had adopted a State Constitution prohibiting the circulation of bank notes. Price was from New Jersey, Semple from Kentucky, and Botts from Virginia. In fact all of the delegates, excepting of course the few who had come direct to California from foreign countries, had experienced in one manner or another the disastrous effects of state banking systems.

It is not possible in these volumes to enter into a detailed discussion of the innumerable abuses in banking activities which prevailed in practically all of the commonwealths of the nation. One can only say with regret that that portion of our banking history should cause us to hang our heads in shame. In the years prior to the Civil war it was not at all unusual for bank stockholders to pay for their capital stock with their own promissory notes. Loans were not uncommonly made to stockholders even before they had paid for their stock. Dividends were declared when they had not been earned. Some states imposed no reserve requirements whatsoever. Frequently there were no limitations on the amount that could be loaned to an individual. Mystery and concealment characterized the banking process. Manufacturing firms, railroads, and canal and toll road companies were not infrequently granted banking privileges. Banks were organized to finance internal improvements, and naturally in boom periods sprang up like mushrooms after a rainstorm.

The worst abuses, however, resulted from the circulation of state bank notes. In 1829, 329 state banks were in existence and had $48,200,000 in bank notes outstanding. By 1837 the number of banks had increased to 788, which had $149,200,000 in bank notes in circulation. In the latter year some of the Pennsylvania banks admitted that they had issued ten, fourteen, twenty and even thirty dollars worth of bank notes for every dollar of specie on hand, the bank notes frequently being secured by nothing more than a mere promise to pay.

In the earliest charters no provisions were included requiring the redemption of bank notes, and no legal penalties were imposed for refusing to redeem them. "Indeed, many in the earlier part of the century considered that it was improper and injurious to

call upon a bank for specie in payment of its bills. 'Brokers who sent home the bills of country banks were denounced as speculators and blood suckers, whose extirpation would be a public benefit.' Responsible men defended the conduct of banks in interposing obstacles to the payment of their notes to brokers who had bought them up to discount. A Boston broker was brought before the grand jury of Vermont for demanding payment in specie for the bills of one of its banks, on the complaint of the attorney general that he was guilty of an indictable offense."[3]

It was generally recognized that a bank regarded as its enemy any person who demanded that it redeem its own obligations.[4] The nation was flooded with worthless paper money issued by irresponsible banking institutions which used various subterfuges to evade the necessity of redemption. Within a year after Michigan had passed its banking law of March 15, 1837, forty-nine banking institutions had been established with a capital stock of almost $4,000,000, only one-third of which was paid in. Those banks were authorized to place $4,362,500 of bank notes in circulation. By 1839 it was said by one of the committees of the Michigan Legislature that there were outstanding in the hands of various individuals more than $1,000,000 worth of notes issued by Michigan banks that had failed.

The results of the panic of 1837 were most disastrous and widespread. In 1842 a committee on banking and corporations reported to the Illinois Legislature that over $42,262,000 had been lost to the public by the "fiscal rascality and depredation on the public in one year," and added, "This is but a portion of the amount swindled. It is impossible to ascertain the amount lost by counterfeits, depreciation, etc. Bicknell in the same year (1839) stated that counterfeits on 254 banks were in circulation and enumerated 1,395 descriptions of counterfeited or altered notes then supposed to be in circulation, of denominations from one to five hundred dollars."[5] The United States Almanac reported that in the period from 1837 to 1841 the country as a whole had lost approximately $54,000,000 on bank circulation and deposits as a result of bank failures.

---

[3] Davis R. Dewey, State Banking before the Civil War, Sixty-first Congress, Second Session, Senate Document No. 581, p. 74.

[4] Ibid., p. 108.

[5] Illinois Senate and House Reports, II (1842), 191-193.

Following the panic of 1837 there was a rather rapid recovery with another serious collapse in 1839. Out of about a thousand banks in existence, including branches, 343 suspended specie payments, 56 failed and 62 resorted to partial suspension.

Not only did the people lose millions of dollars through bank notes and bank failures but they suffered serious inconvenience and uncertainty as is evidenced by the following quotation from "The Letters of Lowndes Addressed to the Hon. John C. Calhoun"[6] wherein is given an excerpt from the journal of a traveler who, about 1840, took a trip from Virginia to Kentucky and return:

"Started from Virginia with Virginia money; reached the Ohio River; exchanged $20 Virginia note for shinplasters and a $3 note of the Bank of West Union; paid away the $3 note for a breakfast; reached Tennessee; received a $100 Tennessee note; went back to Kentucky; forced there to exchange the Tennessee note for $88 of Kentucky money; started home with the Kentucky money. In Virginia and Maryland compelled, in order to get along, to deposit five times the amount due, and several times detained to be shaved at an enormous per cent. At Maysing exchanged $5 note, Kentucky money, for notes of the Northwestern Bank of Virginia; reached Fredericktown; there neither Virginia nor Kentucky money current; paid a $5 Wheeling note for breakfast and dinner; received in change two $1 notes of some Pennsylvania bank, $1 Baltimore and Ohio Railroad, and balance in Good Intent shinplasters; 100 yards from the tavern door all notes refused except the Baltimore and Ohio Railroad; reached Harpers Ferry; notes of Northwestern Bank in worse repute there than in Maryland; deposited $10 in hands of agent; in this way reached Winchester; detained there two days in getting shaved. Kentucky money at 12 per cent, and Northwestern Bank at 10."

By 1841 the state banks had decreased to 691 (there had been 788 in 1837). From 1837 to 1843, state bank note issues decreased from $149,000,000 to $58,000,000. With the return of prosperity, however, state banks again were organized in large numbers and their bank note issues were as much a plague upon the public as before. As the years passed, state after state enacted more stringent measures to curb the existing abuses, but it was not until 1865, with the enactment of a federal statute taxing state bank note issues 10 per cent, that the fraud and evils of

[6] Anonymous, New York, 1843, pp. 60-61.

state bank note circulation were definitely and forever brought to an end.

Many of the delegates assembled in the First Constitutional Convention of California had had experience with the banking practices and bank note abuses of the eastern and southern states, and consequently felt fully justified in their attitude towards banks and bank note circulation. From their point of view nothing good could come out of a state chartered banking system with its attendant evils. Had not the experiences of other communities adequately disclosed that fact? And as for state bank note issues, they would have none of them in any form whatsoever.

As our story progresses we shall see that those old pioneers, framing the organic law of the State, under the terms of which we were to develop our economic and political institutions, builded far better than they knew. The people followed their injunction and consistently refused to permit state bank note currency to be issued. During and after the Civil War, the people of California refused to accept the depreciated greenbacks or the national bank notes, preferring to retain their gold and silver coins. For many years the Legislature was unwilling to pass a law chartering state banks. The first California banking statute, enacted in 1862, permitted the incorporation only of stock and mutual savings banks. As the years passed, however, and as the state's financial needs made it necessary, a sound financial structure was developed in the form of our state banking system, adequate, amply safeguarded, and progressive in character, the peer of any in the United States, to which even the most bitter antagonist of chartered banks in the First Constitutional Convention, if he were alive today, could interpose no objection.

After having finished its labors, the Convention adjourned, and the results of its efforts were submitted to the people on November 13, 1849. The Constitution was overwhelmingly adopted by the surprisingly favorable vote of 12,064 to 811, but California was not admitted into the Union until practically a year later (September 9, 1850), when President Fillmore signed the bill admitting it as the thirty-first state "in order of date, but the peer in all other respects of any in the union." In the meantime, Peter H. Burnett had been elected and inducted into office as the first governor of the State, the first Legislature had met and had enacted many necessary and beneficial laws, and congressmen and

senators had been chosen to represent the people at Washington as soon as California should be admitted to statehood. "No state had ever had such an extraordinarily rapid and triumphant career." And today, no other commonwealth has such a wonderful promise of the future. May California and its citizens so live and so shape their social, political, religious and economic institutions that the wonderful, golden opportunities of the state may be fully realized.

CHAPTER V

PRIVATE AND FOREIGN COINAGE IN CALIFORNIA

Although blessed with an abundance of gold dust and gold nuggets, the early Californians were seriously handicapped by the absence of a satisfactory medium of exchange. Few of the gold seekers had brought any amount of ready money with them. Those who had eastern state bank notes in their possession were not allowed to put them into circulation. Another factor in this unique situation was the fact that the existing commercial conditions prevented an inflow of coin into California. The merchants were importing greater amounts of goods than they were exporting, which consequently required the exportation of funds in one shape or another to eastern and foreign centers. But the Californians, ever resourceful, provided their own media of exchange, and until about 1856, gold dust, gold nuggets, foreign coins, and privately issued gold coins of various kinds, were commonly employed to settle their financial obligations.

These people of the frontier very readily adapted themselves to the use of gold dust and gold nuggets. It was the practice for all miners, no matter where they went, to carry their treasure with them in buckskin bags or belts. Every counting house, saloon, store and trading post had its scales on the counter for the weighing of gold when large sums were paid. During the first year of the gold rush, the demand of the San Francisco merchants for gold scales was so great as to compel the only jeweler in town, B. R. Buckelew, to work night and day in order to provide an adequate supply. "All kinds of weights were used, many of them fraudulent. One style of weighing that found favor in the mines was to use two empty sardine boxes as balances, with a silver dollar as an ounce weight. Of course a dollar was a good deal less than an ounce in weight. And there is even record that gold was bought and sold by the avoirdupois ounce."[1]

[1] Edgar H. Adams is the author of a series of articles in the *American Journal of Numismatics*, entitled "The State Assay Office of California," "The Moffat & Co. Issues, San Francisco, 1849-1853," "Various California Private Mints, 1849-1855," and "Pattern and Experimental Pieces of California" which were subsequently reprinted in a volume entitled "Private Gold Coinage of California, 1849-1855," Brooklyn, 1913. The above quotation is from his essay on "The State Assay Office," p. 4.

Small purchases were made at the rate of so many pinches of gold dust, a pinch being the amount that the seller could gather between his forefinger and thumb. Out of this practice arose the common phrase, "How much can you raise in a pinch?" Frequently when a man applied for a position with a merchant or more particularly with a saloon keeper, he would be asked, "How much can you raise in a pinch?" The more he could raise the more valuable were his services to the employer. It was not an uncommon practice in those days for the bartender to wet his fingers before taking a pinch of dust from the bag of the customer. He would drop the dry dust into the till of the proprietor and then rub off in his vest pocket the dust which had clung to his damp fingers, thus accumulating gold dust for himself in addition to his daily wage. One of the writers of the times tells how a certain Jewish dealer of Stockton was so avaricious that he would oil his hand so that as he stuck it deeply into the bag to bring out a pinch of gold a large quantity of the loose particles would stick to the palm and the back of his hand.

There was no fixed price for gold dust. The price paid depended upon conditions in the market and also to a great extent upon from what diggings the flakes had come. "At the mines and even at certain places along the coast, gold was frequently sold at $6 to $8 an ounce, although worth on an average around $18. There were many instances where it was sold for less, especially by the Indians, who are said to have sold gold dust as low as a dollar an ounce, a silver dollar having a real value in their eyes, while they wondered why the white men so highly regarded gold."[2] The dealers "became so familiar with the various qualities of dust that upon weighing it out they could tell with unerring accuracy whether it came from Lousy Bar, Yankee Slide, Volcano Bar, or Jackass Gulch."[3] In an attempt at definitely fixing the price of gold a meeting, the largest held up to that time, assembled in San Francisco on September 9, 1848. It was attended by miners from all over the state. After a lengthy discussion, the price of $16 per ounce was decided upon. This did not please the miners, because gold then commanded $18 an ounce at the Philadelphia Mint.

From the very first days following the discovery of gold, all

[2] E. H. Adams, The State Assay Office, p. 4.
[3] Carlisle S. Abbott, Recollections of a California Pioneer, New York, 1917, p. 93.

kinds of foreign coins were in circulation and to some extent so continued down to 1856-1857. By the latter date, the supply of our own coins, furnished by the San Francisco Mint, made it possible for merchants and bankers to refuse to accept the foreign pieces. The *Alta California* of October 23, 1855, rightly declared that "There probably never had been a single State in the Union so imposed upon with a mixed and debased currency as California. Even before her adoption into the Union as one of the Federal States, the evil began, and the old Spanish or Mexican currency of ounces and dollars and their subdivisions was interfered with by clipped coins from the southern coast, adulterated dollars from Bolivia, 'Milreis' from Brazil, and other pieces the value of which would puzzle the director of the mint to determine." There were also in circulation Spanish, Mexican, Peruvian and Ecuadorian doubloons, the franc and the five-franc piece of France, Spanish pesetas, Austrian zwanzigers, English crowns, Dutch florins and guilders, and Indian rupees, in fact, every kind of money known to Europe and to many other parts of the world.

During the first few years of the gold rush, money was spent with a lavish hand, prices and wages were high, "two bits" (twenty-five cents) was about the smallest purchase made, and coins were accepted at values that only approximated their true worth. "The English shilling, the American quarter dollar, the French franc, the Mexican double-real, were all of the same value; so likewise were the English crown, the French five-franc piece, and the American or Mexican dollar. It would not matter, although some were twenty-five per cent more than others. Four francs were quite as good as the English five-shilling piece."[4] The smaller silver coins of any and all countries were known as "bits," and valued at a real, or approximately one-eighth of a dollar. It mattered not whether one had an American dime or an English six-pence or a French half franc, they all passed as "bits," and but little of anything would they buy. People talked and dealt in terms of "bits." Copper coins, of course, were not in circulation.

A somewhat similar situation also existed during the same period in the southern part of the state. Harris Newmark in his interesting volume, "Sixty Years in Southern California,"[5] which

[4] Annals of San Francisco, p. 363.
[5] New York, 1916.

has well been called the "Pepys' Diary" of the southern part of the state, gives the following description of conditions as he found them during those years:

"In the beginning of the '50s, too, silver was irregular in supply. Nevada's treasures still lay undiscovered within the bowels of the earth, and much foreign coin was in use here, leading the shrewdest operators to import silver money from France, Spain, Mexico and other countries. The size of coins, rather than their intrinsic value, was then the standard. For example, a five-franc piece, a Mexican dollar or a coin of similar size from any other country passed for a dollar here; while a Mexican twenty-five cent piece, worth but fourteen cents, was accepted for an American quarter, so that these importers did a 'land-office' business. Half-dollars and their equivalents were very scarce; and these coins being in great demand among gamblers, it often happened that they would absorb the supply. This forced such a premium that eighteen dollars in silver would commonly bring twenty dollars in gold."[6] "Considering the present popularity of the silver dollar along the entire Western Coast, it may be interesting to recall the stamping of these coins, for the first time in California, at the San Francisco mint. This was in the spring of 1859, soon after which they began to appear in Los Angeles. A few years later, in 1863, and for ten or fifteen years thereafter, silver half-dimes, coined in San Francisco, were to be seen here occasionally; but they were never popular. The larger silver piece, the dime, was more common, although for a while it also had little purchasing power. As late as the early '70s it was not welcome, and many times I have seen dimes thrown into the street as if they were worthless. This prejudice against the smaller silver coins was much the same as the feeling which even today obtains with many people on the coast against the copper cent. When the nickel, in the '80s, came into use, the old Californian tradition as to coinage began to disappear; and this opened the way for the introduction of the one cent piece."[7]

It was not long before strenuous opposition was voiced throughout the state to the circulation of foreign coins, but they were allowed to circulate during the greater part of the '50s, because the people had to have at least some kind of coinage with which to carry on their business transactions. The United States government did not open the San Francisco Mint until April 30, 1854. As long as the need for money existed and had to be met,

[6] P. 129
[7] Pp. 237-248.

this polyglot mass of foreign coins continued to serve their purpose, although in reality they were a plague upon the people of California. Gold dust and nuggets proved to be fairly satisfactory for small purchases and for transacting business of small extent in the diggings, but merchants and bankers soon found themselves handicapped by the lack of a more readily distinguishable and easily handled medium of exchange. It was this need which led to the introduction of the famous "slugs" and other private coins, the history of which forms an interesting chapter in the development of California's financial institutions.

In the summer of 1848, there was but a small amount of United States gold or silver coin in the territory with which to pay import duties. The imports of San Francisco had mounted by leaps and bounds. The military governor, Col. R. B. Mason of Monterey, was appealed to by the local merchants to provide some means of meeting the difficult situation. He immediately advised the Collector of the Port of San Francisco to receive gold dust at the going rate of $16 an ounce. This was, however, in violation of the Federal law which required that all duties had to be paid only in gold and silver coin or in treasury notes issued under the authority of the United States. When this fact was called to his attention, Colonel Mason revoked his order and attempted to assist the merchants in surmounting the difficulty by permitting them to deposit gold dust with the collector at the rate of $10 an ounce, with the privilege of redeeming it in United States coin within a period of sixty days. If they could not obtain the required coin, which usually was the case, the gold dust was sold at auction at from $6 to $8 an ounce. The purchasers were almost always speculators who had by some means obtained the necessary supply of coin. The gold dust, being worth more than $18 an ounce when presented to the Philadelphia Mint, netted the speculators huge profits.

The San Francisco merchants objected to the plan proposed by Colonel Mason and on July 22, 1848, met and adopted resolutions asking the Government to extend to them the privilege of redeeming their gold within a period of six months because of the difficulty of obtaining gold coin. Mason was willing to compromise so far as he could and instructed the collector to receive gold dust from the merchants, allowing them the privilege of redeeming one-half of it in United States coin within three months and the

remainder within six months. He assured the merchants, however, that this was merely a temporary arrangement. He also advised them that he could make no more favorable terms because if they were to be allowed to have six months in which to redeem their gold dust in coin the Government's revenues would be accordingly cut off during that period. Then too, he did not wish to assume the risk of becoming "pecuniarily involved" in departing from his instructions as military governor of California merely for the accommodation of the local merchants. He informed them, however, that in his very first communication to the department at Washington, he would urge the establishment of a mint in Upper California for the purpose of providing an adequate supply of money with which to pay customs duties and to care for the needs of local business.

Under the circumstances, therefore, it became necessary for the importers to hoard every bit of United States coin, for which they daily offered a premium in gold dust in order to obtain the required sort of funds with which to pay import duties. A scarcity of money resulted, and as a consequence "a stream of gold and silver coins of all nationalities and denominations began to flow towards California." Another complicating factor in the situation was the demands of the Chinese trade. A surprisingly large quantity of goods was being imported from China. The Chinese merchants demanded payment in silver. Silver was scarce and high priced, so that the San Francisco merchants were also compelled to pay a premium for silver coins with which to meet their obligations in the Orient.

Considering the conditions that existed it was but natural to suppose that someone would advocate that assay houses ought to use their facilities for the stamping of gold pieces, which were so greatly needed by the local business men. There is some doubt regarding the source of this suggestion but the first official record that we have of it is found in a letter addressed to Colonel Mason under date of June 27, 1848, by a number of prominent citizens of San Francisco requesting him to approve such a proposal, and also to permit the use of such coins in the payment of import duties.

Colonel Mason, again eager to assist in relieving the critical situation, replied that if "the California grain gold * * * can be wrought in a convenient shape so as to answer for a

substitute for gold and silver coins" he would order "it to be received at the customs house in payment of duties at its intrinsic value." Again, however, the Washington authorities notified him that he could not legally accept such coins or slugs as it would be in violation of the law above referred to. This method of meeting the difficulty therefore had to be abandoned. Subsequent pages will detail how the situation was finally cared for in a satisfactory manner.

It is strange that, so far as is known, no privately issued coins were minted before the late spring months of 1849. The *Alta California* of May 31, 1849, mentions "a Five Dollar gold coin struck at Benicia City, although the imprint is San Francisco. * * * It bears the private stamp of Norris, Gregg and Norris." From that date until 1856, coins, ingots and slugs of various denominations and inscriptions were minted and placed in circulation in California by at least fourteen different establishments as well as by the State Assay Office. It has been estimated that about $50,000,000 in coins and slugs were privately issued.

In addition to the $5 gold coin of Norris, Gregg and Norris referred to, the product of the following firms has been definitely identified: Pacific Company, 1849; Moffat & Company, 1849-1853; Cincinnati Mining and Trading Company, 1849; J. S. Ormsby (Sacramento), 1849; Templeton Reid, 1849; Massachusetts & California Company, 1849; Miners' Bank, 1849-1850; Dubosq & Company, 1850; Baldwin & Company, 1850-1851; Shultz & Company, 1851; Dunbar & Company, 1851; Wass, Molitor & Company, 1852-1855; Kellogg & Company (Kellogg & Richter, later Kellogg & Humbert), 1854-1855.[8]

Many Californians have thought that these firms were the originators of the practice of supplementing the coinage of the Federal government by private issues. But such is not the case. Templeton Reid of Georgia began the minting of private gold coins as early as 1830. His establishment was located near the gold mines of that state. Christopher Bechtler also operated a private mint near Rutherfordton, North Carolina, starting in 1831 and continuing until some time after the discovery of gold

[8] "Nearly all the dies used in San Francisco at this period were engraved by Albert Kuner and manufactured by Shultz & Co., who operated a brass foundry in the rear of Baldwin's mint. The firm was composed of Judge G. W. Shultz and William T. Garratt." *Coast Banker*, July, 1910, p. 39.

in California. It is interesting to note that the United States had a branch mint located within eighty miles of Bechtler's plant. There was no law expressly prohibiting the private coinage of money so long as it was not of a counterfeit character. The Federal Constitution forbade only states and territories to coin and issue money. The Director of the United States Mint, in his report of 1840, declared that "It seems strange that the privilege of coinage should be so carefully confined by law to the general Government while that of coining gold and silver, though withheld from the states, is freely permitted to individuals with the single restriction that they must not imitate the coinage established by law." It was not until June 8, 1864, that Congress enacted a statute which definitely put an end to the right of private parties to issue coins to circulate as money.

As noted above, it is thought that the first California gold coin struck by private parties was the $5 gold piece issued by Norris, Gregg and Norris in May, 1849. The second was a $10 piece put out by the firm of Moffat & Company in the latter part of July or the first part of August, 1849. This company had during the preceding months also minted some rectangular ingots which passed current in place of coins. From that time until the close of 1849, Californians experienced a

"perfect avalanche of private gold. Every big corporation coming from the East, says one pioneer, brought machinery for coining. Many of their issues were of greatly varying values and bore interesting and original devices and some followed the types of the regular coinage so closely that careful scrutiny was required to distinguish them.

"To swell the total came two intruders from neighboring territories—the wonderfully debased 'Great Salt Lake City Pure Gold' pieces (the net value of the Twenty Dollar piece being only a little over $17) of curious designs, struck by the Mormons, and Five and Ten dollars of Oregon, much better in quality and held at par. The Miners' Bank Tens were intrinsically worth $9.87; the Ormsby Tens, $9.37; the Pacific Company's pieces, $4.48 and $7.86 respectively; the Cincinnati Mining and Trading Company's coins were vaued at $4.95 and $9.70; the Ten and Twenty-five dollars of Templeton Reid at $9.75 and $24.50; the Moffat Tens at $9.77.7, and the Half Eagle of Norris, Gregg & Norris about $4.90.

"These were the coins with which the early Californians had to do business, and many of them speedily fell into disrepute:—first, the Mormon coins, which were refused by all, when their

No. 6.

No. 7. Obv. and Rev.

No. 8.

No. 10.

No. 18.

No. 11. Obv.

No. 12. Obv.

No. 13. Obv.

No. 11. Rev.

No. 12. Rev.

No. 13. Rev.

No. 23.

No. 26.

PRIVATE GOLD COINAGE, MOFFAT & COMPANY

spuriousness was once revealed; the Miners' Bank gold next came into disfavor, and was only accepted at twenty per cent. discount. Both issues were soon driven from circulation, and those who owned them were forced to sell them at their bullion value and pocket the loss. Many others ceased to appear in 1850, among them those of the Pacific, the Massachusetts and California, the Cincinnati Mining and Trading Companies, the Ormsby, the Norris, Gregg & Norris and the Templeton Reid pieces. Those of Moffat & Company alone survived the struggle of 1849—that is, they were the only ones which bear the date of 1850 that were struck by firms minting private coins in the previous year. Two new concerns were however added to the roll—Baldwin & Company and Dubosq & Company—while Frederick D. Kohler, the newly appointed state assayer, began the issue of rectangular ingots of specified but greatly varying value, which served the purpose of a circulating medium.

"The offspring of the mints that had ceased coining, still continued to clog the wheels of business, though many of the pieces had an intrinsic value very close to that stamped upon them. The private issues had doubtless been of great value at a critical time, increasing the value of raw gold, but some coiners, not satisfied with a fair profit, had debased their products to such an extent that suspicion fell on the whole series and stirred the business men into action to provide some plan for relief."[9]

John L. Moffat had been a New York assayer and arrived in California in the early days of 1849. In the summer of that year, in partnership with J. R. Curtis, P. H. W. Perry and Samuel H. Ward, he opened a smelting and assaying office as well as a gold brokerage business at Clay and DuPont streets. It long remained one of the most important and reliable firms in the field.

From all that can be learned it appears that the coins of the Pacific Company were made by the firm of Broderick & Kohler, sometimes referred to as F. D. Kohler & Company. Broderick later became a United States senator from California. Kohler was subsequently appointed to the position of State Assayer. He was also the first chief engineer of the San Francisco Fire Department. James O'Meara, a journalist of the times, who knew Broderick intimately, writes in the following vein regarding how it happened that the latter engaged with Kohler in the minting of private coins:

[9] E. H. Adams, Private Gold Coinage of California, 1849-1855, New York City, 1913, Introduction, pp. ix-x.

"With the resolution in his heart that he would never return to the East until he should come as a senator of the United States, David C. Broderick left New York late in the spring of 1849, and took the Isthmus route to California. He arrived in San Francisco in the early summer of that year. His old friend in Tammany Hall, Col. Jonathan D. Stevenson, late commander of the regiment of California volunteers, who had been in California since 1847, was at the time one of the foremost men in San Francisco, and among the wealthiest and most influential. He received Broderick with oldtime cordiality and warmth. Another conspicuous member of the New York Fire Department, Frederick D. Kohler, and also a warm friend of Broderick, had preceded him to the Golden Land. Kohler was a manufacturing jeweler, an artificer in the precious metals, and had fair experience as an assayer.

"The want of gold coin was, at that time, very much felt in San Francisco, among business men, especially, as gold dust was the only substitute for currency in daily transactions, large and small. Some parties had consulted with Colonel Stevenson about the feasibility and propriety of coining gold pieces to supply this public want, as it was next to impossible to procure gold coin from the United States in less than from four to five months, and the want was immediate, and every day growing worse. Two of these parties were English gentlemen of large capital, and both were versed in the assaying of gold and silver. Colonel Stevenson heartily approved the proposition, and engaged to look up competent persons to embark in the enterprise. He picked upon Kohler, and, at the same time, bethought himself of Broderick, in connection with the matter. Kohler was subjected to a rigid examination in assaying, and passed the ordeal so creditably, that the Englishmen expressed their satisfaction with him at once.

"Colonel Stevenson then called upon Broderick. He had arrived from New York sick, greatly broken down in physique, and nearly penniless. Yet he declared his confidence in his ability to perform the hard manual labor required as assistant to Kohler, and leaped at the opportunity of employment. He was, in fact, eager to try his hand at anything; as it was then the custom of so many others, who had not been bred to any trade, as he was, to do. But the business required money, and neither Kohler nor Broderick had this essential starter. This want did not long stand in the way. Colonel Stevenson loaned Broderick $3,500, and the two, entering into copartnership, then commenced the business of coining five-dollar and ten-dollar gold pieces, worth, in fact, four and eight dollars respectively, to supply the trade requirements of the city. Gold dust was bought at $14 per ounce, and the profits were enormous. Kohler and Broderick were on

the high road to riches. The partners continued in the business until" April 1, 1850, "when they sold out to Baldwin, who carried it on—they for a while doing his coining—and the manufacture of twenty-dollar pieces was then first engaged in, though with less profit than they had made on the ten-dollar pieces."[10]

The firm of J. S. Ormsby & Company was established in Sacramento in 1849 and continued through the following year. The partners were Maj. J. S. Ormsby, later killed by the Indians in the Winnemucca War, and his brother, Dr. D. Ormsby. Their office was located on K Street, just below the site of the Golden Eagle. For a while they did a flourishing business, the miners who brought their gold dust to be coined frequently having to stand in line and await their turn at the door.

The coins issued by the private mints were of great assistance to the people in California at a time when Government money was so scarce. They were also of value to the miners because they increased the price of raw gold. As mentioned above, some of the firms were not satisfied with what might have been considered a fair profit, and consequently put out coins whose value was considerably below the value of their gold content. Suspicion was soon aroused regarding the worth of all the private coins and proposals were made looking toward some method of relief. The *Alta California* of January 26, 1850, declared, for example, that,

"It was also given out by the parties issuing these pieces that they would be redeemed upon presentation with current coin of the United States at par. Subsequently it was announced that they would be redeemed with dust only. They were regarded at the Customs House as an illegal tender and were refused in payment of duties, and at the post office were not received in payment of postage. Many mercantile firms have denied them and none of the brokers would take them at their par value. This state of things exists at the present time. They are looked upon with suspicion and distrust. * * * That they are perfectly illegal is currently manifest, if not absolutely counterfeit coins."

Sensing the attitude of the public, S. E. Woodworth introduced a bill at the first session of the State Legislature, held at San Jose in 1849-1850, designating all private coinage as counterfeit and requiring that the issuers thereof be compelled to redeem the same within a period of thirty days after the enactment of the measure or be subject to the penalties imposed by the laws of

[10] James O'Meara, Broderick and Gwin, San Francisco, 1881, pp. 22-23.

the United States in counterfeiting cases. It also placed similar penalties upon "all persons, who shall hereafter make, or cause to be made, or issue, or cause to be issued, any 'tokens,' coins, or pieces of metal, or substances representing money." Moffat & Company did not take kindly to the proposed bill or to the editorial comment of the *Alta California* mentioned above, and replied thereto at some length. They concluded their published statement with the declaration that,

"If we are counterfeiters the criminal courts are at all times open. Our guilt or punishment can not be affected by any action of the State Legislature. We shall endeavor to pursue such a course in our intercourse with our fellow citizens as not to impose on their rights or outrage laws and good order; and while we thus disport ourselves we claim to be exempt from the unjust charge of being felons and counterfeiters by those who ought not to plead ignorance of the law in extenuation of their acts."

The State Legislature passed the bill on April 20, 1850. One section of the law read as follows:

"Any person who shall stamp or impress, or cause to be stamped or impressed upon any piece of gold of less weight than four ounces troy weight, whether pure or alloyed, any figures, letters or mark or marks indicating, or purporting to indicate, its weight, fineness, or value, shall be deemed guilty of a misdemeanor, and upon conviction thereof, shall be punished as prescribed in the preceding section."

The penalty was a fine of not less than $500 nor more than $1,000, or imprisonment in the county jail for not more than one year. The measure was not enforced and later ignored, as is shown by the fact that during the first quarter of 1851 the private mints issued a larger amount of coin than during any other period of their existence. From January 1 to March 31, Baldwin & Company put out $590,000; Dubosq & Company, $150,000; Shultz & Company, $93,000, and in the twenty-seven days prior to undertaking the work of the United States Assay Office, Moffat & Company issued $89,000. The measure was repealed March 25, 1851.

Almost from the very first the Californians had been desirous of having an official assay office established in San Francisco. They felt the need of having some state or Federal officer certify to the fineness of the gold that played such an important part in their everyday life. As early as July 22, 1848, resolutions were adopted at a meeting of the citizens of San Francisco, requesting

Colonel Mason to appoint one or more assayers to test the quality of the gold that was beginning to flow into the city in large amounts. They also asked that some person be officially appointed to convert the gold into bars of weights convenient for use in the trade, the expense to be borne by the parties who brought in the gold. Colonel Mason, however, did not approve the suggestion.

On April 5, 1850, the merchants of the town again met, this time for the purpose of ascertaining what could be done towards using as currency the gold that had been produced by the quicksilver process. Out of this gathering came a set of resolutions addressed to the State Legislature requesting the appointment of an assayer who would make ingots 5 per cent less in weight and fineness than the values of the United States Mint. On the following day over 400 of the leading citizens of the city signed the petition asking that the State establish a State Assay Office with authority to smelt and assay gold dust and to issue bullion bearing the State stamp which might be used as a substitute for the private coinage then in circulation. The proposal met with the approval of the Legislature, and on April 20, 1850, an act was passed creating "the office of State Assayer, Melter, and Refiner of Gold and defining his Duties." Governor Peter H. Burnett, at the suggestion of certain prominent citizens of San Francisco, appointed Frederick D. Kohler as the first, and, as it later proved to be, the only, State Assayer. In a short time the new office became so popular that it worked day and night in order to keep up with the demands made upon it. A branch was subsequently established at Sacramento, beginning operations about July 1, 1850.

As might have been expected, the ingots of the State Assay Office did not meet with the approval of the gold dust dealers, who were interested in keeping the price of the metal below what it should have been. They decried the value of the ingots and refused to accept them at par. Some of the leading business men of San Francisco also met and resolved that the ingots would not be accepted at the value stamped on them by the State Assayer. In commenting upon this action the Sacramento *Daily Transcript* of June 18, 1850, stated that,

"The bankers and others in San Francisco interested in keeping gold below its real worth for the sake of their own industry, were not to be so easily checked in their lucrative operations.

Previous to the appointment of the assayer, they called a public meeting, formed an association, and by combined efforts succeeded in defeating the good end which the law aimed to secure."

The *Daily Transcript* declared that every ingot stamped as being worth $37 was in reality worth $40 in gold coin when presented at the United States Mint in Philadelphia. It pointedly asked whether or not the whole community should "suffer so that those engaging in this gold shipping business may be aggrandized? We say emphatically, No! Let us receive the ingots."

The Californians were not to be satisfied merely with a State Assay Office. They demanded a branch of the United States Mint for San Francisco. In 1850, strenuous efforts were made on the floor of Congress by the senators and representatives of California, but temporarily to no avail. Congress was, however, willing to do something, and in September, 1850, authorized the Secretary of the Treasury to make arrangements with the owner of some well established assaying business in California to assay gold and to affix the United States stamp to the ingots, indicating their fineness and value. The Californians accepted the United States Assay Office as affording a partial relief until a mint could be established. They also favored it because they thought that it would undoubtedly assist in raising the price of gold dust, which still fluctuated widely in the market place.

The law creating the State Assay Office was repealed January 28, 1851, and the office was immediately closed. It is not known what amount of ingots was issued during its existence (May 13, 1850-January 28, 1851), because its books have never been found and no other records are available. The United States Assay Office opened February 1, 1851. The Federal government awarded the assaying contract to Moffat & Company, who thereupon moved into a building on Montgomery Street, between Clay and Commercial streets. Augustus Humbert was appointed United States Assayer and arrived at San Francisco about January 31. Immediately thereafter the issuance of fifty-dollar slugs was begun. These pieces seem to have met with immediate acceptance on the part of the people, for the *Pacific News* of April 7, 1851, stated that,

"It will be gratifying to the community to learn that the bankers have agreed to receive on deposit the Fifty Dollar ingots stamped by the United States Assayer. They have come to this

determination simultaneously with the resolve not to receive any of the coins issued except those of Moffat. The reason assigned for this is that Moffat does not now issue any more of these coins and redeems with silver all those in circulation whenever presented, while none of the others redeem theirs. The bankers, therefore, will only treat these coins on the same footing as gold dust—that is, purchase them at $17 per ounce."

As might be surmised, the private coiners who were still operating were not highly enthusiastic about the new arrangement.

Some of the local newspapers were determined to drive the privately minted coins out of existence if it could possibly be done by keeping the public stirred up against them. The *Alta California* on April 4, 1851, informed its readers that,

"If the definition be correct, all the private coins issued in this State, so far as we have seen, are counterfeit. Be they so or not, their presence is becoming more and more a nuisance and an abuse of a confiding public. * * *

"The present indications are a return to a condition of things similar to what succeeded the issuing of Miners' Bank coins, the introduction of Mormon coins, and similar operations, by which a large portion of the people who were good-natured enough to receive those vile falsehoods in the shape of coin, found themselves cheated out of twenty per cent. Most, perhaps all, of the coins now in circulation are much better than those, but the public have no security that ere a month, or at any future time, those yet to be issued will be really worth as much as were the Miners' Bank and Mormon issues. * * * When once a company of individuals have established the credit of their issues sufficiently to give them currency, not holding themselves under any obligation to redeem them, what is there to restrain any amount of swindling by lowering the fineness and stamping a piece of metal as worth Ten Dollars although it may not be of the value of Five? * * *

"* * * The whole system is as bad as it can well be. It is an infringement on the rights and prerogatives of the United States Government. It is an imposition upon the people of this State. Its tendency is to all manner of annoyances in business transactions, disorganization of trade, loss and vexation to the public, and lasting injury to the best interests of the community. Those who have been most instrumental in throwing this coin into circulation now refuse to redeem it or receive it except at a heavy discount. It is time that our citizens open their eyes to this great and crying evil. * * *

"* * * The States are prohibited from coining, and it would be singular if individuals were allowed the privilege denied the States. There is no doubt that the bankers who have been instrumental in circulating these coins have contributed principally to their sudden depression. * * *"

The San Francisco *Daily Herald* of April 7, 1851, likewise, threw its weight and influence against "the irresponsible issues of private coining establishments."

On April 8, 1851, an adjourned meeting of the merchants of the city, held in the Recorder's Court room, unanimously adopted the report of a committee which had been previously appointed to consider the matter of private coinage. The report was, in part, as follows:

"It is upon the principle of private coinage that the committee desire to pronounce, and this principle is so evidently adverse to the existence of a sound monetary system, that the Committee can not but condemn it in the strongest terms. As far as the Committee have been able to ascertain, the present circulation of private coinage, amounts to not less than two millions of dollars, and preparations are known to be making to increase the issue to a degree which will speedily reduce the whole circulation of the country to a coinage confessedly irredeemable and based on intangible responsibility.

"* * * It is evident that the system of private coinage is one that subjects the community to frauds of the most extensive nature, and as well to remedy the evils which the community now suffers, as to prevent evils of a greater magnitude hereafter, the Committee feel it incumbent on them to condemn *in toto* the principle of private coinage, and to recommend the rejection as a medium of exchange in trade, of all private coinage, without exception. * * *"

A resolution was unanimously adopted declaring

"that the merchants and business men of San Francisco will not receive as currency, in their business transactions, any coin issued by private individuals."

Another resolution proposing that no foreign coin be received as currency, except at the valuation placed upon it by the United States Government, was withdrawn before action could be taken thereon.

The *Daily Herald* in its issue of April 10 commented upon the results of the meeting in the following terms:

"It will be found impossible to eradicate these coins, wholly and at once, from the business operations of the community. No resolution the merchants will pass can effect that. They are too widely disseminated, and the inconvenience will be too great. The consequence then, will be that they will be received, generally, for goods, at an arbitrary and irregular rate of discount. The public will lose, and the only gainers will be the bankers and the Assaying office. In regard to the coin already in circulation, therefore, the resolution of the merchants will not drive it from the market, neither will it prevent loss to the public from its undervalue.

"The committee have very properly urged the adoption of strenuous efforts to procure the establishment of a United States Mint in San Francisco. We trust the suggestion will be acted upon immediately, and in such a manner as to secure that most desirable object as soon as possible. The Assayer's ingots will not answer all the purposes of a circulating medium, and the want of a currency will be seriously felt so long as we have no mint to coin our gold dust. It is a positive injustice in Congress to subject us to the losses and inconveniences we at present suffer."

But in spite of the prophecy of the *Daily Herald*, the issuance of private coinage was stopped, at least temporarily. The fifty-dollar octagonal slugs of the United States Assay Office were the only pieces minted for some months thereafter. Bankers and merchants accepted the private coins at from 5 to 10 per cent discount on their face value. Large amounts were gathered in and sent to the Assay Office to be melted and reissued as fifty-dollar slugs.

By April, 1851, the local merchants began to complain about the scarcity of coins of small denominations. The large fifty-dollar slugs were a source of great annoyance to the people. One newspaper referred to them as being a little less troublesome than the plagues of Egypt. The *Alta California* on July 25, 1851, declared that,

"The monstrous fifty-dollar chunks are becoming a decided nuisance, unless privately taken in large quantities. It is fast becoming one of the greatest favors you can ask of a storekeeper to accommodate you by changing one of them, such is their sluggishness in the market. We hear, in fact, of various instances where various individuals have purchased a pair of gloves or some other small article for which they have no earthly use, merely for the purpose of getting one of these pieces changed. No longer ago than on the occasion of the departure of the last steamer one of them was changed at our counter for a person who was excessively anxious to make a cash purchase of a steamer paper."

It is not surprising, therefore, that Moffat & Company, operating the United States Assay Office, were requested by the local bankers and merchants to petition the Secretary of the Treasury for the right to issue ingots of smaller sizes. It was not until December 9, 1851, that such permission was granted, but strange to say, it was rescinded the next day.

In January, 1852, Moffat & Company were again petitioned by the bankers and merchants to issue coins to the extent of at least $300,000 in small denominations. They reluctantly consented to do so, and in a few days the smaller coins began to make their appearance in the channels of trade. Wass, Molitor & Company also issued five- and ten-dollar pieces at this time. Finally in February, 1852, permission to strike coins of ten- and twenty-dollar sizes was given to the United States Assay Office. The firm of Moffat & Company was dissolved on February 16, 1852, by the withdrawal of Mr. Moffat, the business, however, being continued under the old name by the remaining partners, Curtis, Perry and Ward.

Secretary of the Treasury Corwin had authorized T. Butler King, collector of the port of San Francisco, to accept the ingots of the United States Assay Office in payment of duties. But in October, 1852, the Treasury Department rescinded its order, claiming that the purity, or fineness, of the slugs (ranging from 884/1000 to 887/1000) was not up to the standard fineness fixed by law for the United States coinage (900/1000). An indignation meeting was held in San Francisco on October 9, out of which came a resolution addressed to the Secretary of the Treasury praying for relief. It was without results. The bankers and merchants then petitioned the United States Assay Office to strike ingots of the required fineness, which was done, and no further difficulty was incurred. The United States Assay Office continued to operate until December 14, 1853, and was closed only because of the anticipated opening of a branch of the United States Mint.

Almost from the very first days of the gold rush one of the dreams of the Californians had been the establishment of a branch of the United States Mint in San Francisco. The representatives of the State both in and out of Congress kept up an insistent campaign for its authorization. So did the local newspapers. The *Alta California* of December 8, 1851, editorially summed up the situation in the following manner:

"Every bank in Christendom might suspend specie payment, and it could not affect us. Even with the wretchedly insufficient gold coinage here, we can never have a panic. Private coins have come into disrepute, and been subjected to a discount, but even the loss on that was a mere trifle compared with what communities at the East often sustain when a bank suspends payment. Then their paper is often utterly worthless, and the holder loses all. Here, at most, his 'Baldwin' will pass at 6 or 7 per cent discount. But there is no reason why the people of California should ever lose anything through the agency of their currency. It is the plainest and most imperative duty of the Government to furnish us with a mint, whose stamp will always be a security against loss. We want no more half-way expedients for tinkering up a currency. The Assay office has failed to effect the good its projectors promised, and is inundating the country with a coin so inconvenient that the holder has often to submit to a 2 or 3 per cent discount to get it changed. We must have a Mint. The propriety and justice of conceding this to us was so apparent, that none in the last Congress was disposed to oppose it on its own merits, but the unfortunate rivalry between Philadelphia and New York produced a side influence that defeated the bill. New York would not vote for a Mint in San Francisco, unless one was established in their city; and Pennsylvania, rather than agree to the claims of its rival defeated the bill for the establishment of our Mint, which, on its own merits, her delegation would have cordially supported. We anticipate the speedy and favorable action of Congress, at its present session, upon this question, pregnant with such vital consequences to the permanent prosperity of our State."

The United States Assay Office did not and could not fully satisfy the demands of the situation, although it was of great service to merchants and bankers. President Fillmore in his message to Congress on December 2, 1850, commented upon the proposal in the following words:

"There being no Mint in California, I am informed that the laborers in the mines are compelled to dispose of their gold dust at a large discount. This appears to me to be a heavy and unjust tax upon the labor of those employed in extracting this precious metal, and I doubt not you will be disposed to, at the earliest moment possible, relieve them from it by the establishment of a Mint. In the meantime, as an Assayer's office is established there, I would respectfully submit for your consideration the propriety of authorizing gold bullion, which had been assayed and stamped, to be received in payment of Government dues. * * *"

It was estimated that the absence of a branch of the mint was causing a loss to the Californians of approximately $10,000,000 a year.

After considerable wrangling, debating and trading on the floor of Congress, an act was finally passed authorizing the establishment of a branch mint at San Francisco. Instead of erecting a new building, the Treasury Department purchased the equipment and building of Curtis, Perry & Ward (better known as "Moffat & Company"). The building was of brick, sixty feet square, three stories high, covered with cement and fireproofed. It is said that while the building and equipment were sold for approximately $300,000, the entire plant was actually not worth more than $75,000. The mint began operations on April 3, 1854. It was capable of coining about $30,000,000 a year, but in spite of its great capacity it experienced difficulty in providing an adequate supply of gold coins for both home use and export.

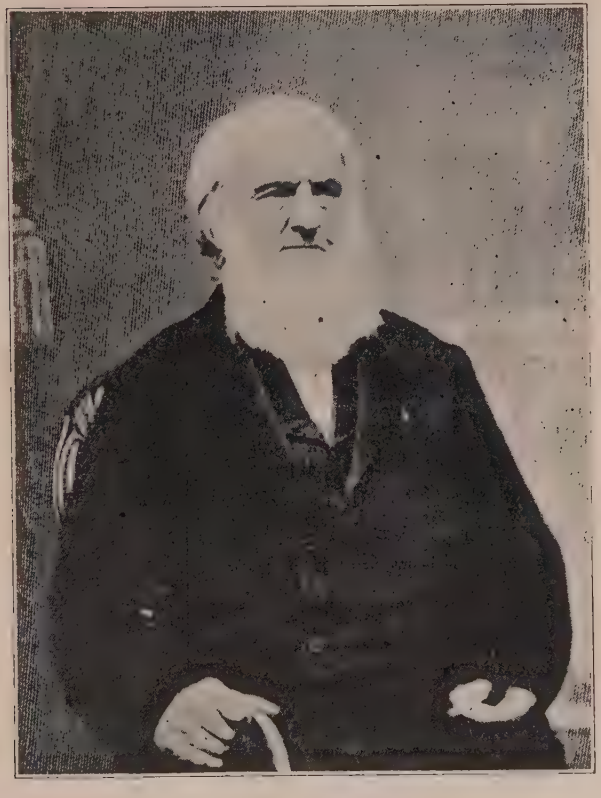
The first Superintendent of the Mint was L. A. Birdsall, appointed to office in June, 1853. John Huston was the first minter, and A. Haraszthy, the first assayer. There were also some twenty-five additional employes. Comparatively few changes in the superintendency of the mint have been made since its establishment, the following persons having been appointed to that position of responsibility and public trust: R. Lott, 1855; Robert J. Stevens, 1856; C. H. Hemstead, 1857; Robert A. Swain, 1861; O. H. LaGrange, 1869; H. L. Dodge, 1878; E. F. Burton, 1882; I. Lawton, 1885; W. H. Dimond, 1889; J. Daggett, 1893; F. A. Leach, 1897; E. F. Sweeney, 1907; F. A. Leach, 1912; T. W. H. Shanahan, 1913; M. J. Kelly, 1921.

The building, occupied at present by the mint at Fifth and Mission streets, was completed November 5, 1875. The output of the California institution has been exceptionally large in amount and of most excellent character. "No mint in the world has ever been better located in reference to the proximity of its supplies, and no mint in the world has ever made a better annual record in the value of coinage output."[11]

During the period immediately following the closing of the United States Assay Office (December 14, 1853), none of the private mints was in operation. Quite a large portion of the previous

[11] Benj. C. Wright, Banking in California, 1849-1910, San Francisco, 1910, p. 162.

FIRST BUILDING, UNITED STATES MINT,
SAN FRANCISCO



JOHN LITTLE MOFFAT
Senior Member, Firm of Moffat & Company, San Francisco

issues had either been melted up or shipped out of the state. The local markets, having their source of supply cut off, faced temporarily a monetary shortage. The bankers and merchants thereupon requested the assay office of Kellogg & Richter to mint twenty-dollar gold pieces, and in February, 1854, those coins began to appear in circulation. The United States Mint experienced some difficulty in getting under way, so that Kellogg & Richter continued the minting of their coins for a few months.

In March, 1854, the local merchants petitioned Congress to authorize the local mint to issue fifty-dollar gold coins in order that large amounts of money might be counted more easily. Congress refused to act upon the petition, but the demand for the larger denominations was met by the assay offices of Kellogg & Humbert[12] and Wass, Molitor & Company. For a while they had to operate day and night in order to supply the demand for the fifty-dollar coins.

Again in March, 1855, another coinage shortage occurred and the bankers and merchants of San Francisco petitioned the assay office of Wass, Molitor & Company, "in view of the inadequate supply of coin in circulation," to place in operation their "Coining Establishment." Under date of March 24, 1855, Wass, Molitor & Company replied that "With many thanks for the confidence you have been pleased to express in us, we hasten to inform you that we can prepare for coining during the week, and propose to do so." They continued minting their coins for some months thereafter. During the summer of 1856 the demand for gold coins for export was so great that the entire output of the mint was taken for that purpose. Recourse had to be had again to the issuance of private coinage to satisfy the local need for a circulating medium. The local assay offices, however, withdrew permanently from the field as private mints in the early fall of that year.

The movement to prevent the circulation of foreign coins did not really get under way until the latter part of 1854. The agitation started in San Francisco, and slowly spread to other communities. On October 12, 1854, the *Daily Herald* announced that,

"The Bankers of Stockton have seconded the move made by those in this city, to put a stop to the circulation of depreciated

[12] Kellogg & Richter dissolved partnership in the spring of 1854 and were succeeded by Kellogg & Humbert. The latter remained in business until 1860, but struck no coins after 1855.

silver currency in this State. They have resolved that the value of the French franc shall be fixed, after the 1st of December next, at twenty cents, and other foreign coins in proportion. For a long time past certain parties, relying upon the proverbial disregard of trifles by Californians, have been removing the American and Spanish coins in circulation here, and substituting for them whole cargoes of francs, English shillings and rupees, worth, on the average, 20 per cent less than the value at which they were palmed off upon the community. Emboldened by their success, it is understood that they have sent for still larger amounts of these depreciated foreign coins, with the intention of forcing them into circulation."

This concerted action on the part of the bankers in the larger cities merely drove the speculators into the mining districts, where they successfully disposed of large quantities of French francs to the unsuspecting miners. The *Daily Herald* again on December 21, 1854, commented on the situation in the following manner:

"The movement commenced here to reduce the current value of francs to twenty cents, has not yet extended to the mines, and the consequence is, agents, provided with wagon loads of the trash, are traversing the interior, offering $18.50 per ounce for gold dust, and paying in francs, at the rate of four to the dollar. The miners are deceived into accepting this apparently high price for their dust, as the resident buyers and traders can not, of course, afford to pay more than $17.40 per ounce, in genuine coin. By this trickery, these agents are enabled to purchase dust for only $14.80 in reality; thus making a profit of $2.60 upon every ounce. The legitimate traders are compelled to receive the francs from the miners at twenty-five cents each, or lose their customers, while they can not make their own purchases in Sacramento or this city, except at the rate of five francs to the dollar. By this arrangement they are made to bear all the loss, amounting to twenty per cent, nearly half their profits upon their goods. It is now apparent that there is not silver currency sufficient in the State to meet the wants of the community, and the bankers are called upon to make good their promise to import whatever may be necessary to supply the deficiency.

"It is the popular belief that some of them are engaged in this speculation; that they are employing these agents to inundate the mines with the francs, to the injury of the traders, and incidentally, of the mercantile community here. Even at the present reduced rate, it will not pay to deposit the francs at the Mint for recoinage; and unless that is done, they will always continue a source of annoyance in our State. To make the reform

effectual, it will be necessary to reduce the current value of the francs to such a point, that it will be profitable to recoin them into American pieces; and, perhaps the best way to accomplish that, will be to fix their value at sixteen and two-thirds cents, or six to the dollar. It will operate harshly at first, but in one month's time there will not be a franc in circulation. Either this must be done, or the bankers must forthwith import a million dollars worth of small American coin."

The movement to discredit the franc extended to Sacramento, Marysville, Grass Valley and elsewhere, where agreements were signed by hotel and saloon keepers, bankers, merchants and others pledging themselves not to receive the franc pieces at a greater value than 12½ cents. This action of bankers and others to rid themselves of the French franc had a successful outcome and also a wholesome effect in diminishing the heterogeneous circulation of the state, for the campaign to oust the remainder of the foreign coins was then continued with renewed vigor. The *Evening Bulletin* of April 21, 1856, told its readers that,

"We still have in circulation among us a vast quantity of English rupees, worth intrinsically 41¼ cents, currently received and paid at 50 cents, or about 22 per cent profit to the importer, which deserve expulsion from our currency equally as much as the francs. At times we find the Danish pistareen, really worth but 17 cents, passing at 25 cents, and a no small quantity of other silver coins equally unworthy of countenance, but provided they are big enough they go for a quarter! Now all this is radically wrong. The importer of debased foreign coins gains in gross, and the community eventually loses in detail. Besides, now, if ever, is the time to establish a pure currency in the State on the decimal basis. The mint is prepared to furnish small coins, and among the striking changes in California the necessity of such coins to meet the changed habits and expenses of the people is not the least prominent."

It was also estimated that at that time there were about $8,000,000 worth of private coins in circulation in California, the greater part of which passed at about 1½ per cent in excess of their metallic value. In March, 1856, several conferences were held by the leading firms of San Francisco for the purpose of devising ways and means of forcing the private coins and also the foreign issues out of circulation. At a meeting held on March 26, it was resolved "that in our opinion the time has arrived for placing the currency of this state on a sound basis and that to

continue to receive as currency private coinage is attended with present inconvenience and possible loss to the community," and "that we will use all legitimate means to discountenance the circulation of private and illegal coins." A committee was appointed to wait upon the bankers of the town and obtain their coöperation. Practically unanimous support was obtained, and all but two firms (Tallant & Wilde, and B. Davidson) agreed to accept the private coinage at a discount of ½ per cent and also to discountenance the use of foreign coins.

By the fall of that year (1856) all of the private mints had ceased operations. The source of supply was cut off. The boycott of the bankers and merchants against foreign coins had been decidedly effective. Within a few years, both kinds of outlawed money completely passed out of circulation. The Californians experienced no further monetary difficulties until the greenbacks of the Civil War period came out from the East to plague and torment them. But that interesting story is told in a subsequent chapter.[13]

[13] Cf. Chapter VIII, California and Paper Money.

CHAPTER VI

THE UNCERTAIN FIFTIES

The period of the '50s was to a very considerable degree one of great uncertainty. Beginning with the depression in the fall of 1850, business remained comparatively unsettled until 1853. The winter of 1852 was characterized by widespread destitution evident in all parts of the state, but especially in San Francisco. The *Alta California* as late as February 12, 1853, commented editorially upon the distressing situation in the following manner:

"We have had among us a large class of unfortunates during the winter. The streets of San Francisco have supplied a living to hundreds, either by acts of charity, the giving of alms at the street door, or by the tolerance of a class whose wants have driven them into every conceivable method of wringing a dime from the passerby. * * * There has never been so deplorable an exhibition of mendicancy in our streets as may be witnessed daily at this time, * * * hundreds of destitute men and scores of women and children besieging the pockets of society in public and private, indoors and out. Troops of girls perambulate the streets day and night with hand organs, tambourines and essays at vocal music. * * * Little girls * * * are to be found in front of the city saloons at all hours of the day, going through their graceless performances."

In the winter of 1852 California was blessed with an abundant rainfall and with heavy snows on the mountains. With the coming of spring thousands of the unemployed left the city to try their luck in the diggings. Their emigration, however, did not noticeably reduce the extent of idleness in San Francisco, for the *Democratic State Journal* of Sacramento on May 30, 1853, declared that "There are more idle men in San Francisco now than in any other city in the Union, and the number is reduced to one-half of what it was two months ago." Many of the gold-seekers, discouraged, returned to their homes in the Atlantic states; a few thousand rushed off to Australia, where it was rumored a wonderful gold discovery had been made; others, how-

ever, settled down to cultivate the fertile soil and to develop the agricultural resources of the state, which in later years became the crowning glory of California.

It has been variously estimated that approximately 54,000 people left the state in the two years, 1852-53. In the eastern communities, and, in fact, throughout the world, rumor had it that the golden era of California was passing, and, happily, as a consequence, immigration fell off to a surprising extent. It is claimed that in 1853 the number of goldseekers arriving in California was 20,000 less than in any of the preceding four years. But the depression could not last forever. Confidence was soon restored, prosperity came back into the realm of business, and capital again found remunerative investment not only in mining but also in various other industries which were just beginning to appear in San Francisco and Sacramento. Bancroft in his "History of California"[1] states that at this time (1853) San Francisco supported "a half dozen important factories, machine and boiler works, employing several hundred men; four sawmills besides sash, blind and box factories; eleven flouring mills with a capacity of 1,100 barrels daily; a steam cracker factory; a large sugar refinery; a dozen and a half breweries, besides distilleries, soda and syrup works, billiard table manufactories; a beginning in furniture making; and a host of establishments concerned with supplying necessities and luxuries for mining, field and home life, a large proportion of an artistic stamp."

During the summer months of 1853 employment was plentiful, especially in the building trades, as is shown by the fact that 600 brick and stone structures were erected in San Francisco, representing an investment of about $2,000,000. As a result of frequently recurring destructive fires, San Francisco was slowly learning its lesson and was intent upon making its buildings as fireproof as possible. The improvement in business conditions was also reflected in the increased valuation of personal and real property in that city, which rose from $18,500,000 in 1852-53 to $28,900,000 in 1853-54.

With returning prosperity came also the formation of trade unions, with demands for higher wages and in some cases for shorter hours. An epidemic of organization seems to have struck

[1] Vol. VI., pp. 782-783.

San Francisco during July and August, 1853, for unions were formed among the carpenters, plasterers, painters, tinners, shipwrights and caulkers, longshoremen, steamship and steamboat firemen and coal passers, blacksmiths, and riggers and stevedores. A union had also been formed among the tailors in February, while the teamsters, printers and bricklayers caught the spirit of the times and revived their unions, which had died during the period of the depression. The hodcarriers and plasterers of Sacramento also organized in the summer of 1853. In almost all instances strikes were declared for higher wages, and in a majority of cases the workers emerged victorious. Business was active, labor was in demand, and the organized workers, taking advantage of the situation, were determined to obtain their share of the prosperity of the state. Strikes also occurred in Sacramento, Marysville, and Stockton.

During these opening years of the '50s, as was also true of 1849-50, a large number of commission houses, forwarding agencies and mercantile firms of all kinds drifted in and out of the local financial field. Only the barest and most fragmentary bits of data are to be found concerning the exact date of their existence, when they began operations, when they ceased, and what was the nature of their business, so that in many cases it is practically impossible to say whether they were organized as banks or whether they gradually took on banking activities as a side issue to their main business operations. Consequently, the story of banking during these uncertain '50s is at best a fragmentary record of what actually occurred. I have attempted to gather all available information regarding banking houses, exchange offices, money lenders and mercantile firms which were in any manner concerned with banking operations. The task, however, has been made all the more difficult because the first Legislature, following the trail blazed by the First Constitutional Convention, passed a law on April 22, 1850, regulating corporations, the third section of which prohibited the incorporation of banking houses. It was as follows:

"No corporation created or to be created, shall by any implication or construction, be deemed to possess the power of discounting bills, notes, or other evidence of debt, of receiving deposits, of buying gold or silver bullion or foreign coin; of buying and selling bills of exchange, or of issuing bills, notes, or other evidences of debt, upon loans, or for circulation as money."

During the greater part of the decade, banks of necessity continued, as at first, to be solely of a private character, controlled by individuals, associations or copartnerships. Thus they left no official records of their existence or of their various activities. The newspapers of the times and a book or two of memoirs written by pioneers afford the only sources of information.

For many years financial operations in California were dominated by the private banking house. The solvency of these firms depended entirely upon the ability and financial resources of the partners. The State imposed no restrictions as to the amount, if any, of the capital stock that had to be paid in before the doors were opened for business, nor did it require a bank to have a fixed amount of capital based on the size of the city in which the bank was located or on the amount of deposits held. There was no inspection or examination by State officials. The depositors knew nothing regarding the financial condition of the concerns which held their funds.

Anyone with confidence in his ability to operate as a banker, who could make friends, arrange some connections with eastern houses for exchange purposes, and attract deposits, could, without objection or interference, set himself up in the banking profession. High rates of interest prevailed; within a few years tempting opportunities for investments in mining stocks existed; and these, together with the absence of usury laws, made banking one of the most alluring fields for those who were at all inclined to engage in that sort of activity regardless of experience or ability.

During this early period, as has been noted in preceding pages, banking houses did not confine their operations to those kinds of transactions which are today considered as being within the legitimate field of such institutions. Many were commission merchants; some were real estate operators; others were importers; some were stock, bond and gold dust brokers; while a large number were engaged in a variety of other kinds of businesses. Argenti & Company, for example, advertised in 1851 that they were agents for the rental of certain pieces of property in San Francisco; also that they had the ship *Mazeppa* for sale. Gildermeister & de Fremery announced a sale of various brands of wines. Another San Francisco firm informed the public that it was prepared "to issue exchange on New York, buy gold dust,

sell metallic burial cases and give special attention to the embalming of bodies." In 1854, Daniel Gibb & Company, bankers and exchange dealers, also advertised "Welsh Flannels, Gala Plaids, French Merinos, Cashmeres, Gents Plaids, and a variety of Woolen Fabrics" for sale. Even as late as 1890 one finds the Cloverdale Banking and Commercial Company listed as "bankers and dealers in hardware and agricultural implements." By 1852, however, some of the former practices must have been modified, for we find the *Bankers Magazine* of New York, in its issue of July, 1852, quoting the *Christian Advocate* of San Francisco to the following effect:

"We will soon do business in San Francisco as well, and with as much system as anywhere. Bankers are merchants no more; commission houses are ceasing to be jobbers; furniture warehouses no longer sell anchors and chains; silks and ribbons are no longer found forgotten under piles of overcoats; and with the immense immigration on the way and to come, we are of the opinion that a better time is coming, and we bless the land where one need have no fear, if well, but the earth will yield enough to cover and to feed him."

When one considers the circumstances and also the unstable conditions under which banking was carried on by these pioneers in the California financial world, it is truly amazing that down to 1855 only two banking failures had occurred, viz., Naglee & Company and Thomas G. Wells & Company. General Naglee, it will be recalled, paid every cent of his obligations, while the creditors of Thomas G. Wells & Company had to be content with only 37½ cents on the dollar.

During 1851 several new banking houses were opened in San Francisco. In February of that year John R. Robinson and Thomas L. Smith organized what they were pleased to call the "Savings Bank of California." A few months later the name was changed to the "Savings Bank of California and New England Banking House."[2] It was advertised as "a provident institution * * * established for receiving money and gold dust on deposit, upon the principle of the Savings Banks in the States and Europe. Office hours from 9 A. M. to 4 P. M. and on Saturday evenings from 6 till 9 o'clock."[3] It occupied quarters on

[2] *Daily Herald*, July 17, 1851.
[3] *Daily Herald*, March 26, 1851.

Montgomery Street, between Clay and Commercial streets, although later moving to a new location on Montgomery Street, between Commercial and Sacramento streets. Interest on deposits was payable at the rate of 6 per cent per year. In October, 1851, the bank informed the public that,

"Our security is the best in the world—Gold! We loan no money! And depositors are always paid principal and interest on demand either in coin or dust at the market value.

"Bills of Exchange on New York and Boston, in sums to suit. Our drafts on Boston are cashed in all the New England banks and our bills on New York are worth a premium in all the western and southern states."[4]

In March, 1852, the name of the bank was changed to the "Savings and Exchange Bank of California." The firm was undoubtedly very successful during the first few years of its existence, as is evidenced from its announcement in December, 1852, that,

"The success of this enterprise has been without a parallel and precedent in the history of Savings Institutions, the deposits already exceeding 1¼ million dollars. For the liberal patronage of our friends and the public we return our sincere acknowledgment. The continuance of their generous confidence will make it in a few years what we design it shall be, the largest and most perfect Banking House in America. Deposits for Savings bear an interest of 6 per cent.

"In addition as a Bank of Deposit we are rendering the usual facilities to merchants and other business men of General Bankers.

"Our Mr. Robinson has just returned from a visit to the Atlantic states, having perfected arrangements for Exchange excelling any other house in California."[5]

The *Daily California Chronicle*[6] of San Francisco, in its issue of March 7, 1855, laid before the public the following interesting information relative to the bank's early history:

"Somewhere during the first months of the year eighteen hundred and fifty-one, Messrs. Robinson & Co. started in this city a concern which they called a 'Savings Bank.' It was well known that they started without capital, and we know that Mr. Robinson

---

[4] *Daily Herald*, October 5, 1851.
[5] *Prices Current and Shipping List*, December 31, 1852.
[6] This newspaper had no connection with the present San Francisco *Morning Chronicle*.

was obliged to borrow a portion, if not all of the amount of his first month's rent. He asked for deposits in his 'Savings Bank,' promising a percentage upon the amounts. At the time, or as soon as we understood the matter, we warned the public against 'Savings Banks.' They are generally bad enough, but here was a shop opened for doing up the unsuspecting, totally without responsibility, neither guarded nor restrained by law, nor offering any guarantee by being based upon capital of its own. The depositors were to raise the capital for the bankers to speculate upon, the depositors hoping to receive one-half or one-third the ruling rates of interest.

"Mr. Robinson was very indignant that anything should have been said against Savings Banks, and so expressed himself. But he went ahead. The dear credulous people furnished him with money and he flourished. At the end of his first year he gave a grand supper to several dozen friends, and at the feast showed them the documents which proved that he had made in net profits thirty-eight thousand dollars, during his first twelve months. This was a very good thing—an excellent thing—thirty-eight thousand per cent, or so; for he started with nothing. So he was glad, and feasted, and feasted his friends, and dipped into this thing and that, this speculation and that upon other people's money."

Robinson's bank failed February 23, 1855.

In the latter part of 1851 the firm of F. Marriott & Company printed $2,500 in paper money and attempted to put it into circulation. The proposal met with such vigorous opposition that the scheme was immediately abandoned. This and other attempts at issuing bank notes will be discussed more fully in Chapter VIII. Marriott was an interesting soldier of fortune, whose career during the early days is rather difficult to follow. The story runs through a number of different sorts of speculative ventures in which he engaged in the vain hope that he might emerge wealthy. Marriott was born in Enfield, England, July 16, 1805. He was the founder of the present *Illustrated London News.* He later sold his interest in that publication and went to Calcutta with the East India Company. He arrived in San Francisco in 1850.

The first notice to be found in the San Francisco papers concerning his business activities appeared in the *Pacific News* of May 28, 1850. He was then associated with the firm of Marriott, Anderson & Company, real estate agents, located in the Sanchez Building, on Clay Street. That company negotiated loans on bonds and mortgages, bills of lading, etc., discounted approved

commercial paper at the "lowest rate," cashed California State Stock, collected rents and notes, and effected other monetary operations "with promptitude and despatch." It was also the office for the sale of lots on what is now Goat Island (Yerba Buena). A few months later the firm advertised as "F. Marriott & Co." Evidently Marriott alone constituted the firm. In January, 1852, he appeared as a "Loan, Stock and Money Agent" as well as a dealer in exchange on all nations.

In June of that year, he and R. S. Clyde formed a partnership with offices at 123 Sacramento Street. The firm remained active up through 1853 and into 1854 as "Loan and Money Agents, Conveyancers and Negotiators in General." On May 1, 1854, he associated himself with Alfred Wheeler, and on September 29, 1854, opened "The Pacific Loan and Security Bank" at 98 Merchant Street. Wheeler was an expert in land titles and has been characterized as a person of tact and considerable ability. Their grand scheme for establishing a successful banking institution was fully described in the following advertisement:

THE PACIFIC LOAN AND SECURITY BANK

The frequent applications made to the undersigned by persons of moderate means, to put out upon securities at interest, sums too small to make it an object to the borrower, have induced them to adopt a plan by which money can in any sum bring to the possessor a rate of interest equal to that claimed by larger Capitalists, and secured in the most convenient and ample manner. It is by the combination of large sums in one Loan, and secured by one Security, so that each depositor—no matter how small his amount—may receive the income to which his money is entitled, and that, too, in such as will combine in his possession both the evidence of money loaned and the use of money deposited.

Money, in Cash or Gold Dust, will be received on Deposit in sums of Ten Dollars and upwards, for which Certificates of Deposit will be issued, bearing date the First or Fifteenth of the Month, Payable on Demand, or at specified times at the option of the Depositors. If payable on demand, they will be WITHOUT INTEREST, unless the money remain on Deposit one month, in which case they will draw interest of ONE PER CENT, PER MONTH, but no interest for fractional parts of a month. If Deposited for Specified times, Certificates will be issued bearing ONE AND A HALF PER CENT PER MONTH interest for such time. Interest will cease at maturity; so that if Depositors desire to continue their Deposits after their certificates fall due, they

must be presented for payment and renewal; otherwise interest ceases.

The advantages not hitherto supplied to Depositors, and which we present by this Institution, are: SECURITY, CONVENIENCE AND SIMPLICITY.

The money deposited is used only in LOANS guaranteed by us, and in all cases amply secured by Mortgages, State, County, and City Stocks, Merchandise and other safe collaterals, taken in the name of "MARRIOTT & WHEELER, Trustees for Depositors with Pacific Loan and Security Bank," which fact, added to the experience of five years in this City, in all branches of business connected with Loans upon Real Estate or the investigation of titles to property, will present this as the BEST SAVINGS BANK to the frugal and industrious.

A Register is kept at all times open to Depositors for inspection, in which appear their names, the number of Certificates of Deposit issued, and the SECURITIES upon which the money deposited has been placed.

All our Certificates are issued in the sum of TEN DOLLARS, and in this convenient shape become at all times AVAILABLE AS CASH, to the holder, and are only issued to the amount of, and are represented by, the actual Cash or Gold Dust deposited with us.

Frederick Marriott
Alfred Wheeler

No. 98 Merchant Street, San Francisco.[7]

The proposed plan was unique in that it permitted the depositors to examine the books of the bank at any time for the purpose of ascertaining its financial condition, thus enabling them to withdraw their accounts if dissatisfied. They also were to have the right to demand that their funds be invested in any manner that they desired. The scheme also made it possible for persons of limited means to invest their money without much difficulty. The plan, however, was most severely criticised because of the announcement that certificates of deposit in sums of $10 were to be issued and be available as cash. Californians were justly fearful of anything that looked like bank note currency, and it was felt that the certificates would soon begin to circulate in the channels of trade, and thus open the door to a flood of private bank notes. The Pacific Loan and Security Bank was not a success, and in June, 1856, Joshua P. Haven was appointed receiver to wind up its affairs. A few weeks later (July 20) Marriott

[7] *Daily Herald*, September 29, 1854.

began the publication of the *San Francisco News-Letter.* Whence came the funds with which to embark upon the stormy seas of journalism, no one knows, because Marriott had only a short time previously filed a petition of insolvency. The *Evening Bulletin* of July 22, 1856, accused Palmer, Cook & Company of having advanced the necessary financial support. But be that as it may, the *News-Letter* proved to be the source of income long and devoutly desired by Marriott, and he never again engaged in any form of banking activity. Marriott died December 16, 1884, his journal being continued by his son, F. Marriott, Jr. (who died January 11, 1925), and by his grandson, F. A. Marriott, who is still in charge of its publication.

During 1851 several other banking concerns entered the field in San Francisco. In May of that year John Baldwin announced that he had established the "Exchange and Deposit Bank of California," with offices in "the Hastler, Bains & Co.'s brick building, foot of California Street." This venture was short-lived, for no further notices of its existence are found in the newspapers of the time. "John Perry & Co., Dealers in Exchange, Gold Dust, State and City Scrip," with an office in Naglee's Building, on Clay Street, was operating as early as July 1, 1851—how much earlier the records of the year do not disclose. The firm was compelled to close its doors some time before December, 1853, because on the 28th of that month an announcement was published by Perry to the effect that he had "resumed his business of Stock and Bullion broker." Perry was one of the founders of the San Francisco Stock and Bond Exchange Board in 1861. Alsop & Company (Charles B. Polhemus and W. P. Bissell), of Lima and Valparaiso, opened a branch office on California Street, August 6, 1851, for the transaction of a commission and agency business. In December, 1852, they advertised as the local representatives of the reputable New York banking firm, Duncan, Sherman & Company. As early as January, 1853, they were active as dealers in exchange on London and New York. They continued to play a part in the banking world until 1866. In October, 1851, Caldwell & Son opened up "The Pacific Savings Bank" for the purpose of receiving deposits, and allowing "a rate of interest on moneys upon the plan of such institutions in the older states."[8] This com-

[8] *Daily Herald,* October 1, 1851.

pany, like so many others organized in those uncertain years, did not secure the support of the public, and no further mention is found of it in the local newspapers.

In an advertisement containing a list of the banks of the city which agreed to close on Thanksgiving Day, 1851, there appears the name of Rising, Caselli & Company. Little is known concerning the history of this firm except that it was engaged in the assaying business, in the sale of exchange, and in the purchase and sale of gold dust. It was located on Montgomery Street, between Clay and Commercial, in Howard's fireproof building. On March 4, 1852, it moved to the Auction Rooms, corner of Sansome and Montgomery streets. On December 4, 1852, the *Daily Herald* announced that the "Savings Bank and Exchange Office" of Rising, Caselli & Company was located in the "Fire Proof Bldg., Battery St. one door South of Long Wharf." Deposits were received from 9 to 5 daily "on a liberal rate of interest subject to be called for at pleasure."[9] On December 9, David S. Turner withdrew from the firm and was succeeded by N. N. Wilkinson, who, it was announced, would reside permanently in New York, transacting business in that city under the name of "Wilkinson, Caselli & Co." This banking house must have retired in 1853, because no further mention is found of it in the newspapers or in the lists of banks published for that year in the San Francisco directory. This conclusion appears to be further justified by the fact that David B. Rising advertised in the *Daily Herald* of December 31, 1854, as a "Real Estate and Money Agent" who, besides dealing in real estate, would also attend to "the Discounting of Promissory Notes."

Among the many individuals and firms engaged at that time in lending money in San Francisco were: W. M. Warner, S. Meredith, Burritt & Musson, and Charles B. Young & Company. Clifford Garr & Company and George W. Green were among those who advertised the sale of exchange.

The year 1852 was rather uneventful in that very few banking concerns were established, none failed and no outstanding incident of any sort took place. The returns of the San Francisco City Assessor's office listed fourteen banks, three express companies, and thirty brokers (stock, exchange, money, etc.). The advertisements of the "San Francisco Savings Bank," located at

[9] *Daily Herald,* December 4, 1852.

129 Montgomery Street, first appeared in the local papers during February, 1852, although it may well be that that firm had been organized during the preceding year. In fact the *Mercantile Trust Review of the Pacific* in its issue of June 15, 1924, definitely states that this firm entered upon its rather short career in 1851 with a capital of only $2,500. The partners were two prominent citizens of San Francisco, C. J. Brenham and Beverly C. Sanders. Sanders later became Collector of the Port of San Francisco and also president of the San Francisco Gas Company. Brenham was somewhat active politically and was elected the first mayor of San Francisco under the charter adopted April 15, 1851. The firm advertised itself as "General Bankers and Exchange Dealers," receiving general deposits from merchants, mechanics and others, and also special deposits of money and gold dust, buying gold dust at the highest prices, and allowing interest on time deposits. It was compelled to close its doors in the fall of 1855.

Several firms of a more or less transient character also came into being during 1852. McNulty, Carothers & Company (Jesse Carothers and John Anderson) was organized in the spring of that year, and was located in Brannan's fireproof building on Montgomery Street. Later the firm's name was changed to Carothers, Anderson & Company. C. H. West appeared among the list of bankers who agreed to close on July 4, 1852. He was a stock and money broker who made loans "in sums to suit, from 2 to 10 per cent per month, according to security."[10] In August, G. Frank Smith advertised the formation of the "Savings Bank and Exchange Office" at the corner of Long Wharf and Sansome Street. This banking house was open from sunrise to sunset, receiving deposits and paying liberal interest rates therefor. Deposits could be called for at pleasure. Gold dust was purchased at "the highest rates" and a "special capital" was "kept for the negotiation of loans and general purchase of stocks and other securities." It is said that Smith retired some time during 1853, and became a real estate agent, later an attorney, and finally a partner of Frank Pixley, founder of the *Argonaut*.

In November, 1852, the "Savings Bank and Exchange Office" was opened by J. B. Timmerman & Company at Clay and Sansome streets. This company announced that it was engaged in buying

[10] *Daily Herald*, April 17, 1852. He was still in business in 1854.

and selling gold dust and coin, in negotiating state, county and city securities, and in receiving general and special deposits, and that "Savings Bank Deposits, which can be withdrawn at pleasure, are received until 9 P. M. Interest allowed at the rate of 12 per cent per annum." This house, like so many others, did not remain long in active operation. I find it last mentioned in the newspapers of 1854. The firm undoubtedly dissolved at about that time. J. B. Timmerman, one of the partners, was still operating as a dealer in gold and foreign money as late as 1857.[11]

Progress was, however, really being made in the banking world in San Francisco. Methods were changing; merchants and the people in general were becoming more accustomed to the use of the local banking institutions; deposits were rapidly increasing; and business relations were taking on more of the aspect of eastern practices. This is evidenced in part by the following editorial appearing in the *Evening Bulletin* on December 29, 1855:

"A banker who, in the winter of '50 and '51, had a line of deposits to the extent of $200,000 to $250,000, considered he had a fair share of the deposits. Yet so great was the change in a short time, from the fact that many merchants who had formerly kept their money in their stores, now opened accounts with bankers, that the same banker who in '50 and '51 considered himself tolerably well patronized with $200,000 found himself in '52 with nearly $600,000, far behind Page, Bacon & Company, who had three times that amount. We mention these instances to show the gradual increase of banking business in this city."

During 1851-52 developments were also to be noted in the field of banking and finance in the interior of the state. While it is true that we of today have no way of determining the number of firms engaged in banking at that time, nevertheless one cannot accept without serious question the statement made by the San Francisco *Daily Herald* of April 21, 1852, that there were at that time seventeen banking houses in Sacramento. That number is altogether too large considering the population and the financial needs of the community.

---

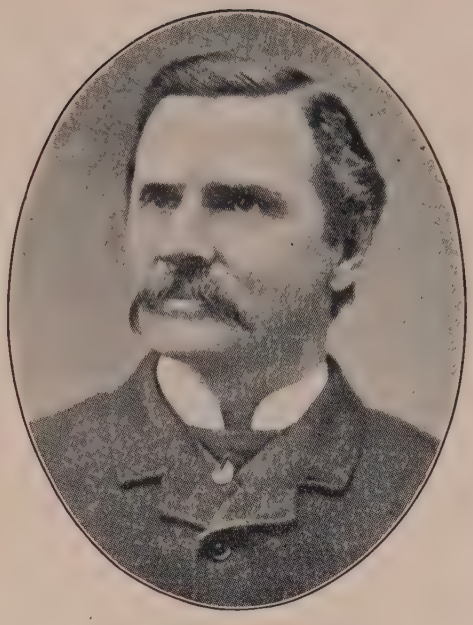
[11] The *Mercantile Trust Review of the Pacific*, of June 15, 1924, states that Robert Rogers was operating as a banker at 143 Clay Street in 1851, and that he subsequently retired and opened a law office about 1853. I have been unable to find any reference concerning him during 1851. He is, however, listed in the San Francisco City Directory of 1852 as a banker. The same article also states that in 1852 Abel Guy, a French banker, established an office at 131 Dupont Street, and that L. E. Ritter & Co., commission merchants and bankers, were located in Jones Alley between Montgomery and Sansome streets, near Washington. I do not find mention of either of those firms in the records of 1851.

Sonora, because of the rich gold deposits lying near at hand, early became an important and populous mining center. Reynolds & Company are given the credit for having established the first banking and express office in that city in May, 1850. Todd & Company entered the field a few months later, and in the fall of that year consolidated with Reynolds & Company, the new firm being known as Reynolds, Todd & Company. In 1852, this company had special deposits of approximately $180,000. Adams & Company opened an agency in 1851, in a building on Washington Street which contained a large fireproof vault built of stone and cement, with double doors of boiler iron, and containing two large iron safes. In November or December, 1851, William Hammond & Company established themselves as general bankers and gold dust brokers on the ground floor of the old adobe building known as the Masonic Hall. They were followed in the spring of 1852 by Yaney & Bertine, who were located in a newly constructed frame building at the corner of Taney and Washington streets. Herbert O. Lang, in his "History of Tuolumne County"[12] states that "Within the building was a very large safe—an article so ponderous as to require a very considerable outlay of time and money to transport from San Francisco. This safe was regarded as a nine days' wonder by the hardy gold-seekers."

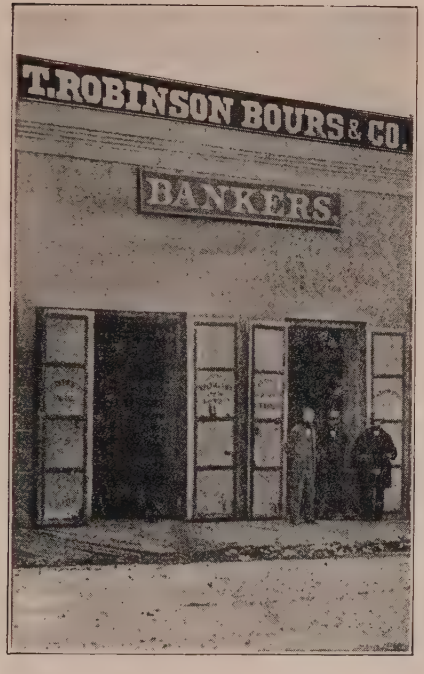
The first bank in Stockton was that known as "Bours Bank." B. Walker Bours came to California in the early '40s from New York and for several years was supercargo on a trading vessel along the Mexican Coast. In 1849 he located in Stockton and the following year together with his brother, T. Robinson Bours, William Keith and W. H. Robinson, established a banking and mercantile business on Center Street. Keith remained only a few months, and in March, 1851, Robinson, who was at that time a member of the first city council of Stockton, died while on a business trip to Mariposa. T. Robinson Bours and B. Walker Bours then formed a new partnership under the title of T. Robinson Bours & Company. After the fire of 1851, the mercantile business was abandoned and the firm henceforth engaged exclusively in banking. T. Robinson Bours retired in the late '50s, and on January 1, 1864, the firm name became Bours & Company, with Joe W. Taylor as an associate. B. W. Bours then conducted the business

[12] San Francisco, 1882, p. 84.

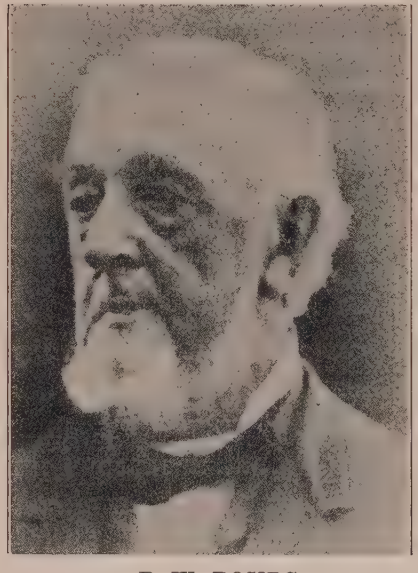
CHARLES M. WEBER



H. H. HEWLETT
First National Gold Bank



Bank of T. Robinson Bours & Co.



B. W. BOURS
First cashier of the San Joaquin Valley Bank, founded February 28, 1868.

alone until in 1868. On February 28 of that year the latter, in company with G. B. Claiborne and others established the San Joaquin Valley Bank, with Claiborne as president, and Bours as cashier. The bank was incorporated March 14, 1868, with a capital of $200,000, with the privilege of increasing it to $500,000. It opened for business about May 15, 1868. On January 20, 1916, it nationalized its commercial department as the San Joaquin Valley National Bank, keeping the old name for its savings department. Both of these institutions were purchased by the Bank of Italy and opened as the Stockton branch of that bank on November 27, 1917.

Banking began in Weaverville as early as 1851. Isaac Cox, in his "Annals of Trinity County,"[13] states that in that year "a one horse express and banking establishment was kept by one Hinkle." It did not long remain in the field, being succeeded in 1852 by the firm of Cram, Rogers & Company, which acted as the agents of Adams & Company of San Francisco. When the latter company failed in 1855, Cram, Rogers & Company also closed their doors. In November, 1852, Rhodes & Lusk operated an express company in Trinity County "to which * * * was added the business of banking." During 1852, Cram, Rogers & Company and Rhodes & Lusk averaged $15,000 per week in gold receipts. In the fall of 1853 Lusk retired from the latter firm, the business being continued as Rhodes & Company until July, 1855, when it was changed to Rhodes & Whitney. The firm retired in January, 1857.

In San Francisco in 1853 there were at least nineteen firms sufficiently active in the financial world to be listed as banks. These did not include the various commission merchants, private money lenders, exchange dealers, gold brokers, gold shippers, etc. According to a contemporary authority, more than one-half were "extensive establishments of the highest credit; the operations of a single one including its agents having been $80,000,000 in one year."[14] There was the usual number of minor and transient firms entering the field during 1853. In February, W. F. Babcock & Company, at Front Street and Central Wharf, advertised as exchange dealers. In May, Joseph Grant and A. Guyol opened

[13] 1858, p. 140.
[14] Annals of San Francisco, p. 492.

an office as stock, note, exchange and money brokers at 98 Merchant Street. In June, Joshua Norton and Isaac N. Thorne started as stock and gold brokers at 120 Montgomery Street. In August, G. K. Fitch & Company, located on Montgomery Street near Sacramento Street, were in business as bankers and dealers in gold dust and in state, city and county securities. In October, Charles K. Smith, at the corner of Montgomery and Merchant streets, was engaged in the stock and bullion brokerage business. It is impossible to discover just how long any of those companies remained active in the field. J. L. Woolsey & Company opened a banking and exchange office some time during the year at 31 Commercial Street, but retired in 1855.

In August, 1853, it was reported that some of the Chinese merchants of San Francisco were about to establish a banking house to care for the needs of their countrymen. There was undoubtedly a demand for such an institution, for there were at that time approximately 35,000 Chinese in the state engaged in various occupations, but for the most part active as miners in the placer regions. They were persecuted, abused and ostracised, and had no place in which safely to keep their gold dust and other valuables. They were frequently subjected to attack and pillage by the rougher elements of the community. Their merchants and business men had certain financial needs which could be satisfactorily taken care of only by a bank. Then too, the Chinese forwarded large amounts of gold dust and exchange to the Orient. All in all the proposal appeared to be one that might be crowned with success, but at that time nothing came of it. Many years were to elapse before a Chinese bank was established under the laws of the State of California.

Two of the more solid type of banking houses came into existence during 1853. The first was that of Abel Guy, whose office was on Washington Street between Sansome and Battery streets. It was a branch of the banking firm of F. A. Seilliere of Paris. After a very successful existence it wound up its affairs on October 1, 1869, and retired from the local field. The other company was that of Lucas, Turner & Company. The latter was a branch of Lucas & Simonds, a banking house of St. Louis. The partners in the San Francisco concern were James H. Lucas, John Simonds,

and later Henry L. Patterson, all of St. Louis, and Henry S. Turner and Benjamin R. Nisbet of San Francisco.[15]

Gen. William T. Sherman, who later played such an important part in the military campaigns of the Civil War, came to San Francisco a short time after this firm had made its initial bow to the public, and was admitted as a partner and appointed resident manager. In his "Memoirs" he has written in most interesting fashion of his connection with this banking house. His statement presents such an excellent description of the local financial world as it functioned at that time, that I have taken the liberty of including herewith several pages taken bodily from his writings.[16]

"At the time of my arrival, San Francisco was on the top wave of speculation and prosperity. Major Turner had rented at six hundred dollars a month the office formerly used and then owned by Adams & Company on the east side of Montgomery Street, between Sacramento and California streets. B. R. Nisbet was an active partner, and James Reilly the teller. Already the bank of Lucas, Turner & Company was established and was engaged in selling bills of exchange, receiving deposits, and loaning money at three per cent a month.

"Page, Bacon & Company, and Adams & Company, were in full blast across the street, in Parrott's new granite building, and other bankers were doing seemingly a prosperous business, among them Wells, Fargo & Company, Drexel, Sather & Church, Burgoyne & Company, James King of William, Sanders & Brenham, Davidson & Company, Palmer, Cook & Company, and others. * * * We soon secured a small share of business, and became satisfied there was room for profit. Everybody seemed to be making money fast; the city was being rapidly extended and improved; people paid their three per cent. a month interest without fail, and without deeming it excessive. Turner, Nisbet, and I, daily discussed the prospects, and gradually settled down to the conviction that with two hundred thousand dollars capital, and a credit of fifty thousand dollars in New York, we could build up a business that would help the St. Louis house, and at the same time pay expenses in California, with a reasonable profit.

* * * *

"Major Turner remained till some time in November, when he also departed for the East, leaving me and Nisbet to manage the

[15] Nisbet had previously been employed by Page, Bacon & Co.

[16] General William Tecumseh Sherman, Memoirs, 2 Vols. New York, 1875, Vol. I, pp. 92-93, 102-107.

bank. I endeavored to make myself familiar with the business, but of course Nisbet kept the books, and gave his personal attention to the loans, discounts, and drafts, which yielded the profits. I soon saw, however, that the three per cent. charged as premium on bills of exchange was not all profit, but out of this had to come one and a fourth to one and a half for freight, one and a third for insurance, with some indefinite promise of a return premium; then, the cost of blanks, boxing of the bullion, etc., etc. Indeed, I saw no margin for profit at all. Nisbet, however, who had been long familiar with the business, insisted there was a profit in the fact that the gold-dust or bullion shipped was more valuable than its cost to us. We, of course, had to remit bullion to meet our bills on New York, and bought crude gold-dust, or bars refined by Kellogg & Humbert or E. Justh & Co., for at that time the United States Mint was not in operation. But, as the reports of our shipments came back from New York, I discovered that I was right, and Nisbet was wrong; and, although we could not help selling our checks on New York and St. Louis at the same price as other bankers, I discovered that, at all events, the exchange business in San Francisco was rather a losing business than profitable.

"The same as to loans. We could loan, at three per cent. a month, all our own money, say two hundred and fifty thousand dollars, and a part of our deposit account. This latter account in California was decidedly uncertain. The balance due depositors would run down to a mere nominal sum on steamer-days, which were the 1st and 15th of each month, and then would increase till the next steamer-day, so that we could not make use of any reasonable part of this balance for loans beyond the next steamer-day; or, in other words, we had an expensive bank, with expensive clerks, and all the machinery for taking care of other people's money for their benefit, without corresponding profit. I also saw that loans were attended with risk commensurate with the rate; nevertheless, I could not attempt to reform the rules and customs established by others before me, and had to drift along with the rest toward that Niagara that none foresaw at the time.

* * * *

"During the whole of 1854 our business steadily grew, our average deposits going up to half a million, and our sales of exchange and consequent shipment of bullion averaged two hundred thousand dollars per steamer. I signed all bills of exchange, and insisted on Nisbet consulting me on loans and discounts. Spite of every precaution, however, we lost occasionally by bad loans, and worse by the steady depreciation of real estate. The city of San Francisco was then extending her streets, sewering them, and planking them, with three-inch lumber. In payment for the lumber and the work of contractors, the city authorities paid scrip in even sums of one hundred, five hundred, one thousand, and five

thousand dollars. These formed a favorite collateral for loans at from fifty to sixty cents on the dollar, and no one doubted their ultimate value, either by redemption or by being converted into city bonds. The notes also of H. Meiggs, Neeley Thompson & Co., etc., lumber dealers, were favorite notes, for they paid their interest promptly, and lodged large margins of these street improvement warrants as collateral."

Sherman was a careful, conservative banker and insisted upon conducting the affairs of his house along dependable lines. One of his contemporaries declared that he had "the opportunity to become the leading banker of San Francisco. The merchants were willing and anxious to give him the lion's share of their accounts, with a large average of deposits, but they demanded in return that he should occasionally allow them to make considerable overdrafts, for which they would pay high interest. He demanded, however, more security than they were willing to give, and they gradually withdrew their patronage."[17] It was because of the conservative management of its executives that the banking house of Lucas, Turner & Company came through the disastrous bank crash of February 23, 1855, in better condition than any other financial firm in San Francisco. But thereafter it gradually lost its hold upon the local situation and finally liquidated in 1857 with no loss to depositors or other creditors.

Up to 1853 the banks of California had escaped special taxation in any form, but on May 18, of that year, certain clauses were included in the State Revenue Act which, if they had been rigorously applied, would have seriously handicapped the banks in their daily operations. Certain sections of this measure required banks to pay a quarterly license tax of ten cents on every $100 of business estimated to be transacted.

This tax was to be paid to the county auditor by "every person, association, or corporation engaged in buying or selling foreign or inland bills of exchange, loaning money at interest, buying or selling notes, bonds, or other evidences of indebtedness of private persons, or state, county, or city stocks, or stock of incorporated companies, in buying or selling gold dust, gold or silver bullion, gold or silver coin, keepers of savings banks, or those engaged as common carriers in transmitting or conveying any of these things for profit; or engaged in receiving general or special

[17] John S. Hittell, Commerce and Industries of the Pacific Coast, San Francisco, 1882, p. 127.

deposits of gold dust or gold or silver bullion or coin." Meetings of protest were held by the financial and commercial houses of San Francisco soon after the enactment of the measure. Opinions of local lawyers were obtained as to its constitutionality. In all cases it was held that the law was in violation of the Federal and State Constitutions. The San Francisco *Daily Herald* of July 16, 1853, criticised the Legislature very severely for "attempting to create a tax unprecedented in the legislation of any state, which would have almost entirely absorbed the legitimate profits of banks, and forced perhaps one-half of our banking and exchange houses to suspend operations."

Action was brought by a committee acting on behalf of the financial houses of San Francisco to test the validity of the law. The case was subsequently carried to the State Supreme Court, which on January 2, 1854, sustained it on constitutional grounds. The merchants, auctioneers, and financial interests of San Francisco were not at all pleased with the reasoning of the court, and proceeded to hold meetings of protest. At a largely attended gathering in the Mechanics Exchange rooms in San Francisco, held on the evening of January 9th, resolutions were adopted denouncing certain sections of the act as "flagrantly oppressive and unjust", and pledging those present not to submit "until all lawful and proper methods of redress should be exhausted."

A memorial was drawn up to be presented to the Legislature. It was also planned to carry an appeal to the Supreme Court of the United States. On May 15, 1854, however, the Legislature passed a new revenue act which omitted the objectionable clauses and provided for a license tax of a different character. The first campaign of the bankers of California against unjust taxation had succeeded.

During 1853 there were only a few additions to the banking institutions in the interior of the state. Chamberlain and Wells in their "History of Yuba County"[18] state that there were five bankers in Marysville at that time. I have been able to find records only of the firm of Mark Brumagim & Company. I rather surmise that the authors of the volume in question undoubtedly included express companies and gold dealers in their compilation. In Sacramento, during this year, there was but one addition to

[18] W. H. Chamberlain and Harry L. Wells, History of Yuba County, Oakland, 1879, p. 45.

the banking circle, i. e., A. K. Grim & F. Rumler, located at 3 J Street.

Although the year 1853 opened up with fairly satisfactory prospects, nevertheless, in the end it proved to be a rather discouraging period for San Francisco merchants and bankers. The heavy rains of the winter and spring months completely cut off all communication with the interior and consequently greatly reduced the sales of merchants. During the fall of 1852 the prices of practically all articles had ruled at very high levels. Staple commodities had been in great demand at prices that provided huge profits for the merchants.

When the eastern houses learned of this state of affairs "every merchant abroad who had ever sent a package of goods to California seemed to imagine that the long desired moment was at length at hand with a fortune awaiting the man who could send a consignment to the Golden Gate. That every other merchant thought the same way, and was acting under the same belief, appears not to have occurred to any of them; if it did it was disregarded."[19] Immediately cargoes of all kinds were dispatched to California, with the result that prices slumped considerably. The San Francisco *Prices Current* of December 20, 1853, declared that, "We are now, and have for months past been struggling along under the unhappy effects of this wild speculation of Eastern shippers, and will in all probability feel its influence for many yet to come." At the end of the year very few merchants were able to report a favorable balance in spite of the fact that they had exerted themselves greatly to sustain the market and to save their eastern consignors from heavy losses.

Had the population of California been double what it actually was at that time there could not have been the least possibility of its being able to consume the huge quantities of goods that were dumped on the local market by the eastern merchants. That the situation was far from hopeful is evidenced by the following statements of an anonymous writer appearing in the *Daily Herald* on January 11, 1854:

"Long streets of large buildings are erected—tens of thousands of dollars are paid for lots to build upon; yet the buildings already erected are groaning with the amount of goods stored

[19] *Prices Current,* December 20, 1853.

within, while the owners are looking half a dozen ways for customers and Sunday—with a face brim full of melancholy at the 'dull show' for finding them. All seem agreed upon one point—'that something must turn up soon,' and like Mr. Micawber, are waiting for it. Meanwhile the Gothamites are of opinion that the hard times are attributable to the 'up-river towns' not dealing upon the cash principle. The up-river townites ask 'How can we possibly deal upon that principle if the traders in the mining towns don't pay for their goods?' "

Owing to an insufficient rainfall the production of gold fell off about $10,000,000 during 1854-1855. Miners, who had previously paid cash for supplies, demanded credit, thus increasing the outstanding accounts of the merchants. The storekeepers of the interior in turn had to request credit from the San Francisco houses. The credit system had been gradually creeping into the business structure of the state. As early as April 21, 1854, the *Daily Herald* carried a statement to the effect that "We hear it reported today that several of our heaviest commission houses have determined to do away with the present system of indiscriminate credits." Again on December 29, 1854, it editorially remarked that,

"The evils of the credit system are now just exhibiting themselves in an aggravated form. Of all countries, California is the worst in which to permit the growth of this system. We have no bank paper—itself nothing more than a credit—to flood our State with promises to pay. Our currency is hard money, and in early days, nothing else was received in payment for goods or property. Cash was promptly paid, and few ever thought of asking for time. Of late years, however, certain parties have volunteered a credit to traders from the interior, in order to obtain business, and others have been compelled to sell on the same terms to retain their customers. The consequence is, large amounts are due by the traders to the mercantile community in the cities, particularly in San Francisco, amounts which the traders can not pay, because they in turn have trusted the miners, many of whom are deprived of all resources by their inability to work their claims. In this way a hollow system prevails throughout all branches of business, and confidence is greatly impaired thereby. The only remedy is for our merchants to adopt the cash system forthwith, and inexorably adhere to it under all circumstances. An agreement of such a character by the leading importers and jobbers would soon be found effectual, and once more restore a healthy tone to business. The credit system is unsafe

anywhere. Here, where people are so unsettled, it is eminently dangerous."

San Francisco was also beginning to feel the effects of having overreached itself in the construction of store buildings and houses. John S. Hittell in his "History of San Francisco"[20] states that during this period about one-third of the buildings were unoccupied. The city had been greatly extended beyond its immediate requirements, both as to the number of its buildings and the extent of its business needs. Consequently, property values and rents decreased fully 50 per cent. A large proportion of the workers were unemployed. San Francisco was experiencing another one of its devastating business depressions which so frequently cursed its early years. Seventy-seven cases of insolvency were recorded in the city in 1854, the liabilities of one firm exceeding $800,000. San Francisco, at that time, had a population of about 40,000. But the depression of 1854, while sufficiently discouraging and serious in itself, was as nothing compared to that which was in store for the state, and especially for San Francisco, during the early months of 1855.

In January, 1854, an incident occurred that shook the faith of the Californians in the solvency of Palmer, Cook & Company, and from that time until its failure in 1856 a series of events followed which placed it in a very bad light before the general public. During the first few years of its existence, Palmer, Cook & Company had enjoyed an excellent reputation. It was then the chief depository of many of the older Spanish families. It later became the financial agent of the State of California, and in that capacity was authorized to make the payments of interest on the public debt and to float the various issues of State bonds.

This statement carries with it the inference that the house was actively engaged in politics, and in this case the inference is indicative of the facts of the case. The political activities of this company were not always, in fact, they seldom were, of a commendable quality. On various occasions Palmer, Cook & Company did not hesitate "to play both ends against the middle" just so long as it redounded to their financial interests. For example, Gen. John C. Fremont and Daniel C. Broderick were bitter political enemies. Palmer, Cook & Company assisted Fremont in his

[20] P. 217.

campaign for the presidential nomination, and at the same time actively furthered the candidacy of Broderick for the United States senatorship. It was in connection with this contest that Palmer himself was openly accused before the State Legislature of attempting to bribe Elisha T. Peck, a State Senator, to vote for Broderick. This firm also acted as the bonding agent for almost all of the State officials as well as for the municipal officers of San Francisco.

On January 1, 1854, interest payments on the State bonds were due and payable in New York. The American Exchange Bank of that city refused to cash the coupons, claiming that Palmer, Cook & Company had not forwarded the necessary funds, and also that the account of Palmer, Cook & Company was overdrawn to the extent of $1,850. On January 10, a letter was received by the American Exchange Bank from Palmer, Cook & Company containing remittances amounting to approximately $64,000. It had been sent under date of November 30 and should have been received about December 26, but through delays in the mails had not arrived in time to meet the payments of January 1. Among the remittances, however, was a draft on the Commissioner of the Land Office at Washington for $60,000. This draft was later returned to the American Exchange Bank by the Commissioner with the statement that it had been drawn without authorization. Luckily enough, and without being asked or empowered to do so, the banking house of Duncan, Sherman & Company of New York promptly advanced the required sum ($60,000), and thus protected the credit of the State in the eastern markets. That firm then addressed a letter to Governor John Bigler which was in part as follows:

"We cannot suppose that this seriously bad and mortifying position is caused by any neglect or omission on the part of your State, but we are rather led to the belief that it has been so produced by the unpardonable neglect, or bad management, or bad faith of its agents. Who they may be, we do not know; but this state of things being likely to cause much excitement, both here and in Europe, and operate most disastrously on the credit of California, which we have been gratified to perceive was steadily growing in public confidence all over the world, we determined promptly to interfere for the honor of your State, and to protect its credit by giving public notice that we should pay, on presentation, the coupons due on the 1st inst. This we have done, as your

Excellency will doubtless observe by our city newspapers, and we trust this timely protection on our part will not only secure the approbation of yourself and your government, but also of all your good citizens, and will also tend to strengthen public confidence in your State bonds, which we cannot but believe are entitled to take high rank among American securities. With prudent and judicious legislation, a careful avoidance of public debt, and the observance of the good faith, this must be the case. * * *"

Funds were later forthcoming from Palmer, Cook & Company, and the matter was settled to the satisfaction of all parties concerned.

On February 20, however, a heated discussion occurred on the floor of the State Senate over a bill which directed the State Treasurer to remove the deposits of the State, amounting to some $120,000, from San Francisco to Sacramento, thus depriving Palmer, Cook & Company of the custody and use of the State funds. The bill was so modified, however, as to compel the Treasurer to take charge of the funds himself. The San Francisco *Daily Herald* in its issue of March 21, 1854, declared that "The Legislature owes it to the character of the State to dismiss from their trust agents who have permitted financial discredit to attach to her. The debt for which these bonds were issued was contracted improperly. * * * The interest was promptly raised and promptly paid over by the Treasurer to the agents; and yet when the coupons became due they were left unpaid, and the State's credit received a serious blow." It was even asserted that the State Treasurer, S. A. McMeans, was a member of the firm of Palmer, Cook & Company. Nothing, however, was done in any way to punish the defaulting company. It is an interesting commentary on the manner in which things were done politically in those days that the next State Treasurer following McMeans (Henry Bates) likewise appointed Palmer, Cook & Company as the State's financial agents, and that in 1856 that firm again failed to pay the interest on the State bonds.

On January 18, 1854, through peculiar circumstances, a run was started on the banking and express house of Adams & Company in San Francisco. For certain reasons this firm had thought it advisable not to publish the amount of gold which it was shipping East on the regular bi-weekly steamer day. It had no idea that the omission of its name from the list of gold shippers would cause any comment. Almost immediately, however, the wildest

sorts of rumors began to fly about town, it even being declared by some that the company was facing bankruptcy. On January 18, soon after opening its doors, the bank was crowded with an excited mob of people, anxious to withdraw their funds. "During the morning the throng continued so great that it became necessary to post placards requesting those who had received their money to withdraw in order that others might take their turn." The larger depositors, however, had faith in the solvency of the company and made no attempt to withdraw their funds.

By 2 o'clock in the afternoon the pressure had begun to diminish, and by 3 o'clock the clerks were standing idle behind the counter. About $428,000 had been paid out to some 1,200 depositors.[21] That evening during the intermission of a play which was being presented at the Metropolitan Theatre, a gentleman arose in the gallery and proposed three cheers for Adams & Company. Immediately thereafter another person suggested three cheers for Mr. Haskell, the manager of the firm, who happened to be seated in one of the boxes. The cheers in both cases were lustily given, "serving to show the feeling which pervaded this community in regard to that popular establishment."[22] As the news spread throughout the state that there had been a run on the head office of Adams & Company, similar runs were made on the branches of the company at Columbia, Sonora, Mokelumne and Sacramento. In all cases, however, the demands were promptly met and business was continued without interruption.

Although after a while the public became accustomed to the occasional failure of a business firm, it was not prepared for the astounding defalcations of Harry Meiggs, which came to light in the fall of 1854. Meiggs was a promoter of the modern type, who had come to California in 1850. He had settled at North Beach, in San Francisco, and had engaged in the lumber business. He was a man of many popular qualities, active in all civic affairs and in public and private charities. He soon became a general favorite with everyone and was popularly known as "Honest Harry Meiggs." He built the famous Meiggs Wharf, extending some 2,000 feet out into the bay toward Alcatraz Island, financed a large sawmill in Mendocino County, built a road around Tele-

21 *Daily Herald*, January 19, 1854.
22 Ibid.

graph Hill, served as alderman and as delegate to the convention that revised the city charter in 1853, and in various ways took an active part in all public affairs. He was always hard pressed for funds and at times paid enormous rates for loans. It is said that sometimes his interest payments amounted to at least $30,000 per month, but up to the time of his failure, he had always paid his obligations promptly. Meiggs had access to the office of the city comptroller and in some manner or other obtained a book of city warrants signed by the mayor and comptroller, filled them in to suit his own purposes, and used them as collateral in securing loans from bankers and others. Once having started upon his astounding career as a forger of city warrants, he extended his operations and forged promissory notes and other kinds of documents until his defalcations amounted to about $800,000. Things went from bad to worse until Meiggs saw that he was bound to be exposed. He then fitted up one of his small brigs, supplied it with provisions and stores, and taking his family and brother on board, shipped out of San Francisco on October 6, 1854. After cruising in the Pacific for a while he landed in Chile, where he became wealthy as a railroad contractor. He then went to Peru, where he built some 800 miles of railroad track and is said to have received therefor approximately $100,000,000. He died in Peru in 1877.

In spite of the unsettled state of affairs in the business world, some real progress was to be recorded in financial circles, not only in San Francisco but also in other parts of the state. On June 22, 1854, the San Francisco Accumulating Fund Association was organized under a statute enacted by the Legislature on April 14, 1853, authorizing the incorporation of associations for manufacturing, mercantile, and other business purposes. E. W. Burr, later reform mayor of San Francisco following the Vigilance Committee of 1856, was its president; Albert Miller, vice president, and William F. Herrick, secretary. In September, Calvin Lathrop succeeded Herrick as secretary.

Albert Miller was a native of Hanover, born in 1828, and had come to San Francisco in April, 1851, where he engaged in the dry goods business. In 1862, he associated himself with John Archbald and James de Fremery and established the San Francisco Savings Union, and in 1888, he was active in assisting in the incorporation of the Sather Banking Company. He was also

connected with many of the leading business houses of San Francisco. The San Francisco Accumulating Fund Association was a sort of hybrid between a savings bank and a building and loan association. The intention of its founders was to have it continue only a few years until it had fulfilled the objects of its founders. The association was the organization out of which in 1857 came the "Savings and Loan Society," which will be more fully dealt with in the later pages of this chapter.

During the year a number of smaller firms were established in San Francisco as money lenders and as dealers in gold, exchange, securities, and real estate. Some of the more outstanding companies were Daniel Gibb & Company, A. Ellison & Company, F. H. Woods, N. M. Roberts, William N. Johnson, H. G. Adams, J. E. Bigley, Edward Bryne, A. B. Perkins, and Samuel W. Moore.

Originally the banking center of San Francisco was located in the three blocks bounded by Washington and California streets and by Battery and Kearney streets. Some of the banks had offices on the narrower streets intersecting the blocks mentioned, but most of the larger concerns operated on Montgomery Street, between California and Washington. Young, in his "History of San Francisco," says that one of the earliest banks shared quarters with a livery stable on the corner of Kearney and Washington streets, and that one of the savings banks had its office in the second story of an office building.[23] Toward the close of 1853, a rather noticeable movement was on foot among the bankers of San Francisco to abandon Montgomery Street for other sections of the business district.

Outside of San Francisco there is but little to record during 1854. The first mention that we have of Read & Company (John A. Read and Thomas Y. Read) of Sacramento appeared in the papers of that city in 1854. This firm was located on the corner of Third and J streets and was engaged in a general banking business. In January, 1854, the bankers of Sonora agreed to close their offices on Sundays and holidays, and in July of that year the bankers of Sacramento agreed to do likewise.

The Siskiyou County Bank of Yreka, the pioneer banking institution in Siskiyou County, was established in 1854 by Dr. E. Wadsworth, a native of Ohio, who came to California in 1851.

[23] John P. Young, San Francisco, A History of the Pacific Coast Metropolis, 2 Vols. Chicago, 1912, vol. 1, p. 414.

MONTGOMERY STREET, SAN FRANCISCO, IN 1854

Looking north from California Street, Parrott's stone building on the left, occupied by Adams & Co. Wells Fargo & Co. on right.

CALIFORNIA STREET (BELOW KEARNY), SAN FRANCISCO, 1856

Present financial center of San Francisco.

He first located at Placerville, but later removed to Yreka. Although a physician, he did not engage in practice, but at first acted as agent for an express company. With the failure of Adams & Company he entered upon his banking career. Later he took his brother, H. Wadsworth, into the business and the firm's name became E. & H. Wadsworth, Bankers. This private banking company was incorporated September 11, 1882, as the Siskiyou County Bank, with a capitalization of $100,000. J. C. Churchill was president, and Fred E. Wadsworth, cashier. It was purchased on March 27, 1926, by the Liberty Bank of San Francisco and continued as a branch of the latter institution.

McWilliams & Tymeson opened a private banking house in Oroville in 1854, which was succeeded in the '60s by George Faulkner & Company. The latter in its turn became the Bank of Rideout, Smith & Company in 1866, was incorporated under that title in 1888, and sold to the Bank of Italy on February 4, 1922.

All in all, the year of 1854 proved to be one of serious depression so far as the business and financial interests of the state were concerned. The year had opened most unfavorably, yet as the months passed, business had brightened somewhat. The fall trade was apparently fairly satisfactory. The astounding forgeries of Harry Meiggs frightened the moneyed interests of the town and caused a general undermining of public confidence. Many feared to lend funds even on the most acceptable security. Towards the close of the year, the banks hesitated to discount for any but their depositors, with the result that others had to pay exorbitant rates of interest for temporary accommodation. Five per cent per month was the ordinary rate charged the latter if good paper with prime signatures was offered, while 7 and 10 per cent were demanded and paid on paper of a very fair quality. Bankers would touch nothing of a speculative character and required more than adequate security for all advances.[24] San Francisco was inevitably headed for a serious financial collapse, and it is surprising that when it did come it primarily affected the most important and widely known banking houses in which the public had previously had implicit confidence.

Page, Bacon & Company was the first firm to be affected. As

[24] *Daily Herald*, December 9, 1854.

has been previously noted, this company was a branch of Page & Bacon of St. Louis, and included in addition to Page and his son-in-law, Henry Bacon, three San Francisco partners, Henry D. Haight, Judge David Chambers and Frank Page. The Sacramento branch was in charge of Frank Page. On January 12, 1855, the drafts of the St. Louis house on Duncan, Sherman & Company of New York were protested for nonpayment. Page & Bacon had become heavily involved in the financing of the construction work of the Ohio & Mississippi Railroad for that part of its line running from Vincennes to St. Louis. Large advances of funds had been made to the contractors, and when the latter found themselves unable to repay the loans, Page & Bacon had been compelled to take over the contract and its liabilities.

This meant heavy borrowing from New York connections. Page had been a baker before engaging in the banking business and was rated as a very wealthy man, but his wealth was for the most part invested in real estate located in and near St. Louis. He knew but little concerning the principles and practices of bank operations. Bacon was the active member of the firm and spent most of his time in New York. The St. Louis firm, in the hope of saving itself from the necessity of suspending activities, sent Page to San Francisco for the purpose of raising and transmitting to it all the gold that could be obtained. Approximately a million dollars of gold dust was sent on two steamers before the news reached San Francisco that the St. Louis house had been forced to close. Thereupon a run ensued upon Page, Bacon & Company of San Francisco, beginning on February 17. In describing the events of that day, the San Francisco *Evening News* of February 18, 1855, stated that,

"The street around the bank soon became thronged with anxious holders of their paper. Moment after moment the crowd increased. Each one seemed to act as if his salvation depended upon his reaching the counter first, and pushing, crowding and crushing was the order. Some climbed over the heads and shoulders of those before them; and some of those who reached the counter and received the much coveted coin (as all promptly did) had to be hoisted over it, and find an exit from the back door. We noticed one feature; the smaller the deposits, the more anxious seemed its owners to get it. Men came running in, hatless and breathless, clutching a small certificate of a few hundred dollars.

Indeed the major portion of the crowd seemed to hold demands for trifling sums.

"As fast as depositors could approach the counter, and hands could tell out the coin, claimants were paid off. Although the emergency was sudden, the resources of this old and firmly established concern seemed to be amply sufficient to meet it, and without anxiety or effort."

In the words of the Sacramento *Daily Union* of February 19, 1855, Page, Bacon & Company had always "commanded the fullest confidence of the people of the state. And most fully has their manner of doing business merited that confidence. The house has confined itself to the legitimate business of banking and buying dust and has realized in clear profits over a million and a quarter of dollars."

If Page, Bacon & Company of San Francisco had not forwarded approximately a million dollars in gold to the St. Louis house, the former would not have had to close its doors, as it did on February 23. But the gold was gone, and there was no way to recover it. Joseph B. Wells was appointed receiver and all of the assets of the firm were placed in his possession. In the crash that followed, Adams & Company, Wright's Miners' Exchange Bank, Robinson & Company's Savings Bank and Exchange House, Burgoyne & Company, and Argenti & Company were forced to the wall, and runs of a more or less serious character were made on all the banking houses of the city. Over $3,500,000 was withdrawn from the San Francisco institutions during the panic. The San Francisco *Daily Herald* of February 24, 1855, in commenting upon the events of the preceding day, declared that,

"No day so gloomy has been witnessed in San Francisco since that succeeding the disastrous fire of the 4th of May, 1851. Every bank was said to have suspended, and rumors of mercantile failures—most of them false, we are glad to say—came thick and heavy in the afternoon. Men held their breath—as in a thunderstorm—in fearful expectation where the bolt would next fall—and towards evening there was even some surprise that the storm had resulted in so little devastation."

Under the circumstances Wells, Fargo & Company deemed it advisable to ask for the appointment of Henry M. Naglee as receiver. On February 27, he informed the public that this banking and express company had a surplus of $103,473 in assets. Wells,

Fargo & Company immediately resumed business and for many years thereafter "was without serious competition as an express company and banking concern, especially in the more outlying districts."

The panic spread to all parts of the state. At Jamestown, the vault of Page, Bacon & Company was broken open, but no money was found therein. In Sacramento, the banking house of Read & Company was forced to close, but the agency of Wells, Fargo & Company remained open until noon, when it too was forced to suspend, but only temporarily. The Sacramento City Bank (John M. Rhodes), D. O. Mills & Company, and B. F. Hastings & Company, were able to meet the demands made upon them and remained open throughout the crisis. The Sacramento *Daily Union* of February 24, 1855, declared that "This moneyed calamity is unexampled in the history of California finances and must inevitably produce a vast amount of distress and hardship among multitudes beyond the borders of this state as well as in almost every hamlet of our immediate community."

At Georgetown, an excited crowd of depositors compelled Adams & Company to open their safe, but it contained nothing. The mob then went to the office of Wells, Fargo & Company, where it was hoped Adams & Company had deposited their funds. Threats were made and weapons were flourished, but fortunately no riot occurred. Both Wells, Fargo & Company and McConnell & Company escaped having a run made upon them. In Marysville, George W. Plume, Adams & Company and Wells, Fargo & Company closed immediately, but Mark Brumagim & Company were not affected. The last mentioned firm was in such excellent condition financially that it remained open an hour after the usual closing time so as to permit depositors to withdraw their funds if they wished to do so. In Nevada City, Hamlet Davis, a local banker, was also compelled to announce that he could not meet the demands made upon him and that he would have to go into the hands of a receiver. On March 4, the depositors of the Sonora branch of Adams & Company decided to make a forcible entry into the vault containing the funds of that company, the vault for several days having been in charge of the sheriff. The iron door was broken open, the lock of the safe forced apart, and the funds paid out by tellers appointed by the crowd.

One of a number of interesting incidents that arose in connec-

tion with the failure of Adams & Company was told by Alex P. Murgotten in an address which he delivered at the "last roundup of the 'Hangtown' California pioneers" in 1912.[25] Murgotten was in Placerville at the time of the failure. He said:

"* * * I had $3,000 in the bank—all the money I had in the world. Hinds, my partner, had $22,000 in the same bank. I remember that it was 2 o'clock in the afternoon that the bank was closed, and we all knew that if it didn't open the next morning, the boys would come in and tear up everything, provided they thought there was any money in the place. That's where Hinds and his level head came in. He knew that the express people would try to get their money out that night, for the failure was caused by lack of money elsewhere, and not at Hangtown. You all remember that the bank backed right up against Hangtown Creek, and without saying a word to anybody Hinds made up his plan. He hid in the brush back of the bank, just across the creek, and watched. Sure enough, just as he expected, he saw the express people creep out of the building at about 2 o'clock in the morning with the bags of gold. He trailed them and saw them put it in old Joe Douglas' safe. The rest was easy for Hinds. He waked me up and told me what had been done, and said he was going to levy an attachment on the money, and from what he saw he was confident there was enough to pay us both, so he asked me if I wanted to stand in on the attachment suit. Of course I did, and we got out the papers.

"Douglas, the old sinner, denied that the money was in his bank, but the officer found it and served an attachment, and as there was no defense we got the coin in short order, every dollar of it, while hundreds of others, after long waiting, received only fifteen to thirty per cent. Hinds threw that money in a wheelbarrow and trundled it through the streets of Hangtown."

Following the storm, there ensued a long, bitter struggle among the creditors, eager to obtain what little they could from the wreckage of the shattered institutions. In the case of Robinson & Company, creditors, sheriff's officers and constables were unable to effect an entrance until February 28. Then "there was a rush for the precedence, of course, but Constable Silverthorn managed to make the first seizure and attach the gold scales, office furniture, etc. There was a fierce trial of strength for a few moments between the outs and ins—the one to force an entrance, the other to bar the door and exclude the crowd. The ins suc-

[25] *The Grizzly Bear*, June, 1912.

ceeded and the search commenced. Upon opening the vaults nothing was discovered except a specie bag, which, on examination, was found to contain twenty pounds of No. 5 shot, and an indefinite quantity of needles, which severely pricked the party who grabbed it."[26] Robinson & Company had kept open on the morning of the excitement for half an hour or so and had paid out approximately $15,000, all the funds on hand at that time. The creditors held various meetings, and on March 8 listened to a report of their investigating committee. Robinson was accused of withholding information from the committee and of refusing to give any assistance in straightening out his affairs. The following resolutions were adopted by the assembly:

"Resolved: That we are convinced that said Robinson has in his possession, or under his control, funds of the Bank amounting to $135,000, of which he intends to defraud his creditors.

"Resolved: That such unmitigated rascality should not go unpunished, and that a Committee of three be appointed to wait upon Mr. Robinson and request him to deliver to them, in behalf of depositors, within three days, all moneys, effects, securities and vouchers in his possession, and to afford them full information as to all matters relating to his business.

"Resolved: That if said Robinson does not comply with the requirements of the Committee, that then, we, the depositors, extend to him a coat of 'tar and feathers,' and we pledge ourselves, each to the other, to carry this resolution into effect, let the consequences be what they may."

A number of suits were filed against Robinson. In the end the depositors obtained about 37½ cents on the dollar. Robinson was openly accused of the rashest sort of speculative activities. The *Daily California Chronicle* of March 7, 1855, published the following statement concerning his operations:

"* * * He bought squatter titles of land, water lots, gold mines, quartz mills, loaned money to brokers to buy scrip, sharing the profits and getting three per cent besides, taking the good faith of the brokers and their memorandum checks as security. All went swimmingly, but after some four years the depositors got alarmed and asked for their money. They did not get it. Of that it is presumed they are aware by this time. But they were told instead that they could take, at the rate of forty thousand dollars, forty acres of land—squatter's title—which cost him a portion of seven hundred—of their money. He offered them a

[26] Sacramento *Daily Union*, March 1, 1855.

portion of Market Street wharf, which the true owner says he does not own so much as one of the worms in the piles which are a part of it. He offered them, at the rate of a thousand dollars, an acre, one-third interest in sixty acres of land—squatter's title—which, together with the forty acres already mentioned, cost him the seven hundred dollars already alluded to. All these things he offered at his own valuation—but their money, poor fellows, their money they could not get, and, have not got, and will not get. So much for this patent shaving shop, called a 'Savings Bank.'

"Shall we blame Robinson? What has become of the money which he has undoubtedly made? His partner dissolved his connection with him a year ago, a rich man, and so well satisfied with the business that previous to parting company he offered to sell, or to buy out Robinson's interest. Shall we blame him for making money? Oh, no! He was smart, to make so much on other people's money. Shall we blame him for not paying his creditors? How can we, when he is so religious, so punctual at church, so careful to pay his family debts—good husband—out of the few hundred dollars of coin left in his vaults when he shut up his shaving-mill—coin, every cent of which belonged to his cheated and robbed depositors? He is a deeply pious man, who has learned wisdom from St. Paul as well as from Judas, and is very careful to look out for his own household. Certainly his depositors will be satisfied with him seeing he has been so careful to pay his household debts with their money."

The creditors of Wright's Miners' Exchange Bank fared no better than those of Robinson & Company. At a meeting held on March 10, 1855, it was proposed that Doctor Wright resume business, but only on condition that the creditors appoint two trustees who with Doctor Wright were to control and dispose of all property belonging to the latter for the purpose of obtaining as much as possible for the assets of the business. Only slight support was given to this proposition with the result that the bank was liquidated in the usual manner. No information appeared in the local press relative to the extent of the losses of the depositors. The following communication, appearing in the *Evening Bulletin* of November 7, 1857, is reprinted as giving the statement of one who claimed to know the facts in the case. I am personally inclined to doubt the correctness of the claims made by the anonymous writer:

"THE OLD 'MINERS' BANK'."

"EDITOR EVENING BULLETIN:—In a statement furnished you a day or two since relative to the 'Banking Institu-

tions' that have existed in this State, there appears an error which I wish to correct, from my own personal knowledge of the concern. I refer to the 'Miners' Bank,' established in July, 1849. Instead of having no capital, the bank started with a cash capital of $120,000. When it wound up, notice was given in the daily papers, and all its demands were paid as fast as presented. All the partners of the bank retired wealthy, owing no person a dollar.

A 49'R."

Doctor Wright subsequently went to Mexico, where he resided for some years, working "a rich silver mine in Sinaloa or Sonora."[27]

In the case of Page, Bacon & Company, its creditors assembled in the banking rooms at the corner of Clay and Battery streets on Sunday, February 25, to consider a proposition that had been made relative to the reopening of the bank. At that time it was suggested that everything be done to reestablish the house as a going concern so as to restore public confidence and prevent further widespread calamity and financial loss. Creditors, representing at least $400,000 of the firm's indebtedness, were asked to accept certificates of deposit, payable in four equal installments in two, four, six and eight months from date, with interest at the rate of one per cent per month. It was urged that the bank would then be able to resume business at once and not only redeem the certificates at maturity but also continue successfully in the future.

A statement was presented showing that on February 22, 1855, Page, Bacon & Company had had assets of $2,171,818 and liabilities of $1,302,950, a balance of $868,868 in assets. It was announced that Mr. Bacon of the St. Louis office had declared that if the San Francisco branch were placed in a position where it could resume operations, the eastern company could do likewise; also that the personal wealth of Mr. Page was more than sufficient to meet all of the demands that might be made against both houses. This proposition was met with favor by the meeting, and after some explanations by D. D. Page, received with great applause, it was suggested that the friends of the house should guarantee the payment of the certificates which it was proposed to issue. Guarantees to the extent of $1,000,050 were obtained from the assembly, which was made up of representatives of the

[27] *Alta California*, February 17, 1861.

most outstanding financial interests in San Francisco. The articles of guarantee were then drawn up and signed by the guarantors. Depositors representing about $400,000 of the indebtedness of the house signed the agreement expressing their willingness to accept the certificates under the terms above stated.

By a strange coincidence the co-partnership of Page, Bacon & Company had expired by limitation on February 15, 1855. Judge David Chambers legally retired from the company three days later. The crash had come on February 23. But at the meeting of the creditors of the firm, Judge Chambers announced that he had placed all of his private fortune in the hands of Page, Bacon & Company. He further declared that "I have not, nor do I intend to, draw one dollar until every obligation of that house is fully discharged. I owe too much to California and Californians to allow men now to falsify the statement I made on Saturday last that every creditor of the house should be fully paid and satisfied—at least as far as my ability would permit. In line with these remarks I am reentering the firm of Page, Bacon & Company."

The life of the reorganized firm was of short duration. On April 4, 1855, Page & Bacon of St. Louis finally closed their doors, and when that news reached San Francisco a month later (May 3), Page, Bacon & Company were faced with another serious run. All of the funds on hand, amounting to $317,000, were paid out to depositors and to those who had procured attachments against the firm on the preceding night. Judgment was confessed for the sum of $400,000, in favor of the guarantors of the certificates issued after the first suspension and for certain additional sums amounting in all to $537,500. "Some time after the bank had closed, a poor woman tried to gain admittance and presented a check for $700. There was not a dollar in the vault which could be made available. The poor woman appeared very much distressed, and Mr. F. W. Page handed to her his watch, valued at $350, and $25—all the change he had in his pocket; and also informed her that he would be personally responsible for the remainder."[28] A run was also made on the Sacramento branch of Page, Bacon & Company, and nearly $200,000 was paid out over the counter before it closed on May 4.

[28] *Daily Herald*, May 3, 1855.

Attempts were later made by the creditors of both houses to collect the obligations of the firm from the guarantors, but the State courts declined to hold them liable on their earlier promises. The actual extent of the losses suffered by the public through the failure of this firm will never be known. Bancroft in his "History of California" makes the statement that, "Nine years later there was still half a million owing, besides interest, with the residue of barely 5 per cent to meet it."[29]

Although the failure of Page, Bacon & Company wrought havoc and ruin among the citizens of California and pulled down in its train a number of other banking and business firms, the public did not openly censure the partners or managers for mismanagement or trickery. The firm had failed while trying to help another company in distress. The public also felt that it had "played fair" by keeping open until it had paid out all the funds at its disposal. In the case of Adams & Company, however, the attitude of the public was just the reverse. The bitter antagonism and animosity evidenced towards the latter were not because of the great losses suffered by the people. It was because the company had closed its doors under very peculiar circumstances. Charges of fraud and bad faith were made not only against the partners of the company but also against practically every person connected with the bankruptcy proceedings that followed. Though there had been a slight run on the company, nevertheless the concern closed its doors with considerable money and bullion on hand.

Alfred A. Cohen, who was appointed receiver, made the statement many years later that he had been called into conference with the members of the firm and its legal advisers on the evening of February 22. "I was informed by the gentlemen then present that there had been so much of a run on Adams & Company that they were short of coin; and while they felt themselves to be entirely solvent, yet, until they could collect their moneys from their interior offices, where it had been sent to purchase gold dust, which was then the form of remittance usually made to New York and England from California, they did not feel that it would be safe and proper for them to resume business on the next day * * * and it was stated to me that they desired that I would act as such receiver for them provided the court, to whom the application was about to be made, would appoint me."

[29] Vol. VII, footnote p. 180.

Cohen had been in California about five years and was at that time about twenty-five or twenty-six years of age. He had been engaged in merchandising and in real estate operations and had acquired a reputation for financial ability. Cohen was assured by I. C. Woods, the managing partner of Adams & Company, that the appointment of a receiver did not by any means signify a dissolution of the bank or a permanent closing of its business, but that within a few days it would be able to call in its various assets from the outlying offices and resume operations. Cohen, thinking that he would be involved for only a few days and having no intimation of the serious complications that were to arise during the next two years, finally agreed to act in the suggested capacity. On application being made to Delos Lake, Judge of the Fourth District Court, Cohen was appointed receiver with bonds fixed at $1,000,000, which sum was immediately provided by Palmer, Cook & Company.

The plan adopted by Adams & Company was to have Adams sue Woods and Haskell for the dissolution of the partnership, it being felt that there was no other way to bring about a closing of the house unless the office should open the next day and pay out all of its funds and then have attachments served upon it. "The reason, or at least the pretence given for this action was that under the law of California, as it then stood, and in the absence of any federal bankruptcy act or any adequate state insolvency law that would secure an equitable distribution of assets, creditors of the firm could commence suits and levy attachments upon its property and that they would be entitled to be paid in full in the order of date of their levies without reference to the claims of other creditors. To secure these priorities there would of course be a scramble and, while some would be paid in full, others would get nothing. It was to avoid this plain injustice that the suit for dissolution of partnership was brought and the receiver appointed, whose duty it would be to take and hold the property, as an officer of the court, in trust for all the creditors who might at proper time come and prove their demands."[30]

T. H. Hittell, in his History of California[31] states that the house had a large amount of money and bullion on hand which

[30] T. H. Hittell, History of California, Vol. III, pp. 448-449.
[31] Ibid.

"formed a fat prize for lawyers to fight about," and that charges of all kinds of fraud and rascality were made not only against the original partners but against almost everybody who was ever connected with the case during the course of a long and bitter litigation. He declares that some of the charges were undoubtedly true and that some of the persons, who shared in the spoils of the contest, were guilty of grievous offenses. "But," he declares, "it is difficult to tell how much, if any, of the fraud and rascality that afterwards cropped out, was deliberately planned or contemplated from the beginning."

On the morning of February 23, long known as "Black Friday" to the residents of San Francisco, while the other banks were experiencing a run, the house of Adams & Company did not open its doors; it was in the hands of Cohen as receiver. On February 26, Cohen in a public statement advised the public that it was impossible for him to make any statement regarding the extent of the assets and liabilities of the firm. By means of the express companies and telegraph offices he attempted to call in from the outlying districts the funds of the company for the purpose of concentrating its resources in San Francisco. He declared that so far as he was able to ascertain, the company on February 1, 1855, had assets of about $2,400,000 and liabilities of about $1,800,000.

Immediately upon taking over the affairs of Adams & Company, Cohen thought it best to remove from the vaults of the bank all the coin, gold dust and other articles of value, and to deposit them in the vault of Alsop & Company, who were private bankers of responsibility and reputation. The removal was made so quickly and on such short notice that the funds were not counted, nor was the gold dust weighed, an omission which later resulted in serious accusations being made against all parties concerned. Cohen also discovered upon examining the records of the San Francisco office that less money had actually been received than was shown on the books of the company. It was claimed that Adams & Company, while planning the appointment of a receiver, had removed a large amount of gold dust and coin to the private assay office of Kellogg, Hewston & Company, and that these funds in some manner or other had mysteriously disappeared.

Shortly after the appointment of Cohen as receiver many attachment suits were filed against the company which if paid

would have more than exhausted all the funds then in his possession. When Cohen found out the true state of affairs, he informed Judge Lake of the facts of the case and requested that he be relieved and that some other person be appointed as receiver. No other person, however, would accept the office and give the necessary bonds, so that the company's attorneys decided to apply to the court to have the firm declared insolvent and have its funds administered for the benefit of the creditors. Alvin Adams resided in Boston, and Daniel H. Haskell, the manager, was at that time somewhere in the eastern states. Isaiah C. Woods was the only partner present in San Francisco. The court, as requested, appointed Cohen temporary assignee. The creditors met and elected Cohen, Richard Roman and Edward Jones permanent assignees. Cohen, acting as the former receiver, paid over all of the assets to himself, Roman and Jones as assignees and the funds were deposited with Palmer, Cook & Company, of which Jones was a partner. Cohen was thereupon discharged as receiver although remaining one of the assignees. Cohen desired to visit the East, and was given permission to absent himself from the state for three months.

Judge John S. Hager replaced Delos Lake as Judge of the Fourth District Court on July 2, 1855, and, in one of the cases brought before him, held that it was not possible for the bank to go into insolvency. He declared the entire proceedings null and void and revoked the order under which Cohen had been granted his discharge as a receiver. Having revoked the order he turned around and removed Cohen as receiver, and on October 2, 1855, appointed Henry M. Naglee in the latter's place. Naglee subsequently announced that the assets of the firm exceeded the liabilities by $1,535,058.23.[32]

Upon taking office, Naglee demanded possession of all the assets of the concern, but Roman and Jones declined to give them up, claiming that Palmer, Cook & Company had been garnisheed for sums exceeding the amount of the assets in question, and that that banking house had a right to hold them for its own protection. Upon Cohen's return, Naglee commenced suit against him, Roman and Jones, and obtained a judgment for the sum of $269,000. Cohen refused to turn over to Naglee the assets in his possession,

[32] Sacramento *Daily Union*, November 24, 1855.

claiming that he had the right to retain $10,000 to cover both his commission as receiver and also certain disbursements which he had made in connection with the case. The court, however, would not hear his claim and imprisoned him for disobeying its order. He remained in jail for six months before being released on a writ of habeas corpus.

On February 26, 1856, while the contest was still attracting public attention, a couple of Irish fishermen found a canvas bag containing several large account books, lying at the water's edge on North Beach at the foot of Montgomery Street. Upon investigation it was found that they were the last ledger and cash book of Adams & Company, and contained the record of that firm's transactions just prior to its closing. The books were badly damaged from having been in the water, but imagine the surprise of the public when it was discovered that the pages covering the operations of February 21-22, 1855, had been torn out. The fishermen, moved by the spirit of the times, demanded $30,000 before they would turn the books over to the authorities. That sum was not forthcoming and the books disappeared, only to be found by the police some days later lying between mattresses in the rooms of the fishermen. How the books got into the bay and what the missing pages contained are mysteries that have never been solved. Many accused Cohen of attempting to destroy the evidence in the case for the purpose of concealing the true condition of affairs, but his friends maintained that the books had been thrown into the bay by his enemies so as to prejudice the public against him.

After Cohen had been lodged in jail, the assets of Adams & Company became the object of a general scramble, Palmer & Cook for some unknown reason being able to obtain a judgment for $560,000. Suits and counter suits kept the courts busy for seven or eight years and finally ceased only when there was nothing left to fight over. As T. H. Hittell says, "Everything from the start had apparently been done wrong or at least had turned out bad; and to a large part of the community, and particularly those who lost, it seemed that there had been a deep-laid scheme of swindling from the beginning."[33]

In the early part of October, 1855, with matters apparently going from bad to worse, I. C. Woods sailed for Sydney, Australia.

[33] History of California, Vol. IV, p. 453.

From time to time rumors came floating back to San Francisco that he had been seen in Melbourne, Valparaiso, New York and other places, but so far as I know, no one ever learned what became of him, nor how much he profited financially, if any, from the peculiar method in which the affairs of Adams & Company had been handled. As Bancroft well says, "But from first to last, the public never understood how the disaster occurred, or where the money went which should have been in the bank to meet the claims of its patrons. The newspapers could only recite those matters which were made known through the courts, the courts were not free from imputations of fraud, the rage of the business community against them, exhibited later by the proceedings of the vigilance committee, compelled the judges to vacate the bench, and all was confusion."[34]

On March 1, following the bankruptcy of Adams & Company, some of its employees organized the "Pacific Express Company" to take over its state-wide express business. R. G. Noyes was president with E. W. Tracy, J. P. Haven, Charles C. Bowman and Joseph C. Palmer (of Palmer, Cook & Company) forming the board of trustees. The company was incorporated under the laws of the State on July 1, 1855, with a capital stock of $100,000. It did not long remain in the field, being unable to compete successfully with Wells, Fargo & Company.

The last failure to be recorded in the disastrous year of 1855 occurred on November 5, with the forced suspension of Sanders & Brenham. This firm had been kept alive for some months only by the kindness of a few friends who had advanced the needed funds. Its liabilities amounted to only $150,000 and its failure did not noticeably affect bankers in San Francisco or elsewhere in the state. It is not known to what extent disbursements were made of its assets or how much the creditors actually received, although almost a year after it had suspended a notice appeared in the newspapers of the city stating that the first 6 per cent payment would be made to creditors, with the possibility of another similar amount later on.

The wreckage caused by the failure of Page, Bacon & Company and the other banking houses extended not only to the financial world, but also to many other lines of business, and was spread

[34] History of California, Vol. VII, p. 179.

over the two succeeding years. San Francisco was experiencing one of the most serious depressions in its history. The *Bankers Magazine* of New York in its issue of April, 1855, quoted *Prices Current*, a San Francisco trade journal, to the following effect:

"Times have never been so hard in California from the day of the discovery of gold until the present, as they are now. It is almost impossible to negotiate loans on any terms, even on the best paper, and securities which would attract capitalists are not to be had; in a word, the bankers have shut off their lines of accounts, and money can hardly be raised on any terms even on the best of paper. Real estate is at its lowest ebb, and but little of it is offered as collateral; stocks and well-known securities are not to be had, while indorsed paper is discounted only when the bankers feel themselves sufficiently secure to be able to venture a few thousand dollars beyond the mark they have set up for themselves as the legitimate line of operations. It is beyond cavil or dispute that money is tighter today than it has ever been before in San Francisco."

During 1855 there were at least 197 failures with liabilities of $8,377,827 and assets of only $1,519,175; in 1856 there were 146 failures with liabilities of $3,401,042 and $657,908 assets, and in 1857 there were 128 failures with $2,696,865 liabilities and $264,707 assets.[35] *The Mercantile Gazette and Shipping Register* of San Francisco, in reviewing the financial, mining, commercial, agricultural and manufacturing interests of the state during 1856, presented the following pessimistic statement in its issue of January 3, 1857:

"During the current year, however, the character of our local business would seem to have undergone very material changes. Actual purchases of real estate even for homesteads or investments are now of rare occurrence; many of those who had held property on speculation through the usual aid of mortgages have been compelled to submit to foreclosure, whilst others have disposed of theirs to capitalists, and thus that which had been a prominent means for the employment of capital has almost ceased to exist. Again, the former practice of speculating in importations, or even more recently in the produce of the country, has fallen off in proportion as the country has become more permanently settled and its wants more accurately known. We are now more correctly advised of the expected supplies which are regulated more nearly by our wants, and thus the sphere of specula-

[35] *Evening Bulletin*, December 30, 1859.

tion as well as the consequent demand for temporary loans are very greatly circumscribed.

"Besides these leading facts, it cannot be denied that there is a strong feeling of disappointment, and even some distrust, as to the future of this city, from the non-revival of business, which had been so generally hoped for. During the years '54 and '55, when so much financial confusion and disorder ensued from the failures of large holders of real estate, and of bankers and other prominent individuals, it was natural to expect a stagnation of trade generally, which was the more patiently submitted to under the hope of those better times, which are always conspicuous in other parts of the Union after a financial crisis. But those better times have not come, nor will they, we believe, until we can have a material increase in our interior population. Carried away by the hallucinations of the brilliant days of '49-'50, and the exorbitant rents of houses of every kind, the city has been extended beyond its natural wants, both in the number of its buildings and the extent of its population, many of the latter being without employment or occupation. The business of importing goods for half a million of people (if we include Oregon and Washington Territories) and exporting scarcely anything but gold, which makes neither trade nor employment for labor, requires a city even smaller, in proportion to interior country, than those cities on the Atlantic whence are exported large quantities of merchandise from the interior country, and which enjoy more or less trade with the neighboring cities."

As weeks and months passed the newspapers of the state and of the eastern cities contained many articles in which attempts were made to explain just what it was that was responsible for such a serious financial calamity in this frontier community. Aside from accusations of rash speculative activities, there were a number of thought provoking analyses presented which aimed to show that something was vitally and fundamentally wrong with California's banking system. On March 2, 1855, the San Francisco *Daily Chronicle* condemned it as being wholly irresponsible, and expressed the hope and the belief that it should be abolished as a public nuisance. The *Bankers Magazine* of New York in its issue of April, 1855, declared that,

"If we examine more closely into the commercial history of California, we shall find that there are causes, and those abundant, too, that have not been named. The haste to make money has drawn many firms into business entirely foreign to their own knowledge and experience. An express company can carry on its express business profitably as long as it is confined, with due care

and discrimination, to its real business; but to venture into that of banking, which of all professions and operations in the world, requires the utmost discrimination, judgment, and care, coupled with experience and substantial capital, we can only say that no express company is well qualified. And the sooner the separation is made, the better for themselves and for the community."

Many of the editors of the state expressed the hope that the crisis might bring about the reform of the banking system and certain other changes of a financial character, so that in the end it would redound to the benefit of the people of California. As early as the day following the crash (February 24, 1855), the Sacramento *Daily Union* editorially remarked that,

"It may, however, revolutionize the method of doing banking business in this State; and if it should, something will have been gained by the unexpected wreck. It may show the people of this State the danger of concentrating millions of business in the hands of one or two firms, however worthy of confidence they may be, and also the great danger that must attend any system of banking which permits the banker to loan and speculate upon the money of his depositors.

"Our entire system of banking should be amended. So far as this State and people are concerned there was no occasion for this money crisis and no good State reason can be advanced for its occurrence. True, we have suffered for rain but there has been a steady production of our great staple commodity, and our imports have been exceedingly light compared with returns of one year ago. Miners, laborers, merchants and others in the exercise of a generous confidence have deposited hundreds of thousands with these very bankers who have failed and now hundreds are unable to obtain their hard earnings from the vaults of those with whom they entrusted it for safe keeping."

The *Daily Union*, three days later, also urged the Legislature to take steps to protect the funds of the State against the possibility of loss through the failure of private bankers. It suggested that money be appropriated with which to build a fireproof safe in Sacramento with a vault for the safe keeping of the State's money. It severely criticised the policy of depositing the State's income with bankers who were permitted to loan it out at their discretion. Such a vault was subsequently built, but the State Treasurer continued to keep a major portion of the State's funds with Palmer, Cook & Company in San Francisco.

Several proposals were made looking toward the establishment

of a better banking system. An anonymous writer in the *Daily Herald* on March 2, 1855, advocated that a joint stock bank of deposit and discount be created to be known as "The Bank of California," the institution to have a capital stock of $1,000,000, with shares priced at $100, and to start with at least one-quarter of its capital stock paid in. He suggested that such a bank should be managed by a board of directors chosen annually by the stockholders. Its discounts and loans should never exceed the paid-up capital stock plus any surplus funds that might be accumulated. Such a bank should not be permitted to charge more than 2 per cent interest per month on loans and discounts. Depositors, it was proposed, should pay one-tenth of 1 per cent of the amount of their deposit to cover banking operations, their deposits to be subject to check at all times.

A statement showing the condition of the bank should be published monthly. Dividends should be declared semi-annually. In addition to carrying on a regular commercial banking business the institution should be allowed to conduct a savings department in which deposits of $5 or more might be received with interest payable at the rate of 10 per cent per year. The bank should be permitted to lend savings funds only on approved securities. Principal and interest should be paid depositors quarterly if desired. Needless to say, the suggested plan did not meet with approval, and, so far as I have been able to ascertain, aroused no comments.

The Sacramento *Daily Union* on March 2, 1855, editorially proposed that bankers be required to deposit a certain amount of their receipts with the State Comptroller in the form of State or United States bonds to be held as security or as a reserve fund for the protection of depositors and draft holders. They should also be limited as to the amount of loans that could be made. It also suggested that they be compelled to publish quarterly statements of their condition, so as to keep the depositors advised as to their financial status. It recommended that bankers be allowed to make a certain monthly charge on deposits left with them solely for safe-keeping, but that the use of such deposits in any way by the bankers should be made punishable by imprisonment.

One of the most outstanding champions of a better banking system was James King of William, who with Jacob R. Snyder had established a private banking house in San Francisco in the fall of 1849. King, it will be remembered, had sold his banking

interests to Adams & Company in 1854, and had become associated with them as their cashier at a salary of $1,000 a month. As the weeks passed and as he came to realize that his employers were bound to fail, he was torn between his loyalty to Adams & Company and his loyalty to his friends, many of whom had transferred their deposits to Adams & Company when he became associated with that firm. When the crash came, King, along with the rest of those connected with the defunct organization, was roundly abused by the public and severely censured in a number of newspaper articles and editorials dealing with his connection with Adams & Company. In replying to these attacks, King published many statements in the local newspapers in which he laid before the public all of the facts concerning his activities as a banker as well as the cashier of Adams & Company.

In order to minimize, so far as possible, the losses of his depositor friends, King sacrificed all of his property, and once more started with nothing to make a place for himself in the business world. He formed a partnership with Henry Reed, who had also been an employee of Adams & Company, and opened a banking house. The new firm advertised that deposits of money or other valuables, deeds, bills, cash boxes, etc., would be received by the banking house of "James King of William & Company," under the following terms: Money and parcels under seal would be held at the rate of one-half per cent per month; cash boxes at the rate of $2 per month; deeds, bills, etc., at the rate of $1 per month. Two dollars was to be charged for opening up a general deposit account and fifty cents per $1,000 for continuing the same. These deposits were to be held merely for checking purposes and were not to be used by the bank for investments of any kind.

A savings department was also created paying 10 per cent per year on savings and requiring two months' notice before withdrawal by the depositor. Exchange on New York was sold, loans were negotiated, notes collected and various other matters relating to the banking business were attended to. As might have been expected, it was a very inauspicious time for the establishment of a banking enterprise, and on July 29, 1855, the partnership was dissolved.

King, as cashier of the bankrupt and disgraced Adams & Company, had been called upon to write a number of articles for the local press defending not only his connection with the concern but

also his earlier activities as a banker. He was so successful as a newspaper writer that he was able to collect a few hundred dollars from his friends, and on October 8, 1855, began the publication of the *Daily Evening Bulletin*, a small four page paper, ten by fifteen inches in size. Almost from the very start he amazed the San Franciscans by attacking the flagrant abuses that existed in the political and banking worlds. Especially was he determined to drive the political banking firm of Palmer, Cook & Company from the field.

In the third issue of the *Evening Bulletin* (October 11, 1855), he openly accused that house of being responsible for the very high charges which were made for mail boxes at the San Francisco Post Office. The post office had rented quarters from Palmer, Cook & Company at the rate of $18,000 a year, and because of the political influence of the latter, it had been impossible to have any arrangement made whereby a lower rental might be paid for both the quarters and the post office boxes. King declared that,

"Palmer, Cook & Company are to blame because these sneaking, surety-giving money lenders; these political wire-pullers, and unbank-like gentlemen have laid their ubiquitous fingers on part of the money thus wrung from the people of this city. * * *

"But how are Palmer, Cook & Company 'unbank-like' in their dealings, and by what influence did they first get the Government to rent their room? We answer, they are unlike other bankers, because forevermore they are at some scheme to elect, not good men to office, but their own, or such as can be so fashioned; and then becoming bondsmen for them, get hold of public money with which to bribe and corrupt other public officers, both State and Federal. Now, no banker, elsewhere than in California, will go on the bond of his best friend if he can avoid it, because it injures his credit. But this firm do not wait to be asked, even; but as soon as an election is announced, they hasten—greedy of the tempting 'monish,' and with brazen impudence—they hasten to the successful candidate, and urge him to accept their name! Oh! Uriah Heap, Uriah Heap, Uriah Heap, 'umble Uriah Heap, where are your laurels now? They are all faded, and clean gone forever!"

In the *Evening Bulletin* of November 6, 1855, King accused Palmer, Cook & Company, of being liable to the extent of $2,000,000 on the bonds of State officials. King, being criticised for hav-

ing attacked Palmer, Cook & Company, replied that as "they are public political bankers having the money of the State and County, and (we believe) the City, at their mercy, we contend that we have to inquire into the matter, and we intend to do so." The next evening he again attacked this firm in the following terms:

"Palmer, Cook & Company, Bankers! O, ye soulless but prudent old cent per cent principles, what a desecration! Shylock a banker? Why there is as great a difference as between the smuggler and the honest merchant or between the pettifogger and the honest lawyer. * * *

"Who has forgotten the foul blot placed upon the fame of our State when this same firm of Palmer, Cook & Company failed to forward the funds necessary to meet her coupons on the first of January, '54? And oh, the contemptible lying resorted to by them to cast the blame of that swindling transaction on Duncan, Sherman & Company, of New York. Foiled in their attempt to depreciate and buy up the securities they were bound to protect, they meanly and basely attempted to lay the fault with the very house that protected the credit of the State. And then, by their tools in and out of the Legislature, prevented the proper acknowledgment due from that body to Duncan, Sherman & Company. * * *

"The firm of Palmer, Cook & Company, Bankers! Heaven save the mark! Palmer, Cook & Company, honest bankers? Rather call them tricksters—anything but Bankers. We would like to know what security has the City or County or State for the public funds deposited with Palmer, Cook & Company?"

King, however, was not content to stop with his destructive campaign against the corrupt banking house of Palmer, Cook & Company. He went further and again and again proposed certain constructive measures. He urged the necessity and advisability of California's abandoning its antipathy toward chartered banks and a progressive banking system. In the *Evening Bulletin* of December 31, 1855, he asserted that,

"We need Chartered Banks, whether with or without a paper currency; we must have corporations for banking, just as we have corporations for mercantile, mining or mechanical purposes. We want Banks that shall have bona fide capital paid in, and the stock of which may be owned by mechanics, or merchants, or laborers, or any other class. In this way a responsible institution may be gotten up, subject to such regulations and inspection as the Legislature may direct."

He appreciated the fact, as he said, that,

"* * * we are touching a dangerous subject, but with a firm belief in the intelligence of a people at large, we submit our views, which are not hastily formed, but are the result of the past four or five years' reflection, based on the experience of fifteen years as clerk and principal. We assert—

"1st. That the policy of restricting to private bankers the privilege of banking, is not sound policy, and the history of that policy in this State will bear us out in the assertion.

"2nd. That the only sound policy is to encourage the formation of both private and chartered banks, and

"3rd. That the existence of chartered banks with a sufficient amount of improved real estate bringing in a monthly rent, and in the hands of trustees, and the stockholders responsible to the amount of stock held by them, is the safest and surest guaranty to the working classes for the safety of their deposits.

"With a slight addition to the third proposition, so as to include not only real estate, but good State and County Stocks to be placed in the hands of Trustees appointed by the Legislature or otherwise, as may seem best, we still adhere to our views then expressed, and in a subsequent number will follow up this subject."[36]

King was a strong advocate of savings banks. He declared that,

"We deem it hardly necessary to dwell on the advantages of Savings Banks established on a sound basis. The advantages, morally, socially and physically with the poorer classes are great indeed. Provision should be made that the deposits of savings of married women and children should be secured to them. The husband and father, if a drunkard or a gambler, should be prevented from squandering the little his wife may make with her needle, or his children by laboring, during the early years that should be spent in school.

"Establish sound Savings Banks, and many is the dollar now spent in liquor or otherwise squandered that would be laid by in the Savings Bank for a rainy day. The bags of gold now buried in the sand would be brought to light and placed in the Savings Bank with a feeling of confidence that it was not only safe but earning something for itself, by being lent out to the merchant or other business man needing it."[37]

Again and again King came back to his favorite subject, "A

[36] *Evening Bulletin*, December 29, 1855.
[37] *Evening Bulletin*, December 31, 1855.

Better Banking System for California." On January 2, 1856, he published an excellent article in which he claimed that,

"In advocating the forming of chartered banks in this State by an alteration of the Constitution in that provision that prohibits such chartered companies, we wish it to be borne in mind—

"1st. That we are not in favor of abolishing private banking here.

"2nd. That we do not favor a paper currency.

"All that we ask is, that private bankers may not usurp the entire business of banking, and that chartered banks may be formed in order that a larger amount of capital may be got together in such institutions, and that such chartered banks may be made the subject of legislation.

* * * *

"We want chartered banks of deposit, without the power to issue paper currency. We want banks that will be subject to legislative enactments, that may be compelled by law to make monthly statements of their transactions, and be subject to 'domiciliary' visits, not at an appointed time when they can put on their best holiday attire, but at any moment and at the will of the proper officer appointed for that purpose. We want banks that will have bona fide capital paid in, that will have for managers the best men in the community, whose interest it will be to see themselves to its direction, and to be ever watchful of its management. We want chartered banks with the Boards of Directors elected annually by the stockholders, and which Boards shall decide on the propriety of loans to be made and the value of the security attached."

The next evening he followed it with another article in which he urged the amendment of the State Constitution so as to permit the establishment of chartered banks. He wrote:

"We have frequently thought that what weighed most with the framers of our Constitution in inserting the clause prohibiting charters for banking purposes was not an opposition to the business of banking itself, but to that branch of it comprised in a bank issue. What the convention aimed at was the prohibition of a paper currency. The mistake made by the framers of the Constitution was not in the end they had in view, but in the words made use of to convey their ideas. Deeply imbued with well founded objections to the worthless paper currency they had left behind them in the east, and associating the idea of chartered banks with paper issues, they seemed to have imagined such a creation as a chartered bank without bank notes, as out of the question. Thus we find in the thirty-fifth section of the fourth

article of the Constitution the words 'banking' and 'creating paper to circulate as money' are used synonymously.

"Strictly speaking, it might be questioned whether the Constitution really does prohibit charters for banking purposes, where no paper currency is used, for although in Sec. 34, Art. 4th, it prohibits any charter for banking purposes, yet the balance of the same section says that 'associations may be formed under general laws for the deposit of gold and silver.' Yet the point is too nice a one to have any doubt resting upon it on so serious a subject. The safest way, therefore, is to treat the matter as has been generally received, namely, that the Constitution does prohibit charters for any banking purposes. The object we have is not to discuss the point, but simply to show that what most weighed with the framers of the Constitution was not to prohibit general banking, but that branch of the business which consists in issuing bank notes as a currency."

Day after day he kept pounding away with his demand for a better banking system until his articles began to have a beneficial effect upon public opinion. Other papers followed his lead, and finally, on February 11, 1856, G. H. Cartter of Sacramento introduced a bill in the State Assembly to regulate the business of bankers. At the preceding session of the Legislature several banking measures had been introduced but nothing had come of them. On January 25, 1855, Senator W. H. McCoun had introduced a bill entitled "An Act concerning unclaimed Deposits with Bankers and Brokers, and prescribing the mode and manner of ascertaining the same and the disposition to be made thereof." The object of the latter measure was to secure to the State all unclaimed deposits of gold dust, coin, bullion or other valuable property which had been held on deposit for over a year. It was felt that property valued at many hundreds of thousands of dollars would thus revert to the State and assist in building up its depleted finances. The measure was roundly attacked by the various newspapers of the state, many of which poked fun at the proposal. The Sacramento *Daily Union* in its issue of February 5, 1855, remarked that,

"We suggest that the bill be so amended that if a citizen permits a house and lot to remain unrented over a year, that it be confiscated to the State; then if a man ranches stock with another, and permits them to remain unclaimed for over twelve months, that the stock be declared by law the property of the State; that every hundred acres of land which is permitted to remain uncultivated for over one year shall belong to the State; that every

steamboat that is tied up over twelve months shall belong to the State; that every man who owns a quartz ledge or a mining claim, which he permits to lie unworked for over twelve months shall be forfeited to the State, and so on through the entire circle of property. If the Legislature possesses the constitutional right to take a man's money after it has been deposited over a year, it possesses the same right to confiscate to the use of the State all other kinds of property upon certain conditions. Most of the above propositions would be pronounced absurd, but are they one whit more so than this to confiscate the money of the citizen if left over a year in the strong box of a broker or banker?"

The bill had failed to pass in the Senate. On January 31, 1855, E. W. Taylor of San Francisco had sponsored a bill before the Assembly "to encourage the Incorporation of Savings Institutions and Associations for mutual benefit." It had been read twice, referred to the Committee on Corporations, and on April 4 brought before that body and indefinitely postponed. On April 2, 1855, Thomas Wells of Butte County had introduced a bill before the Assembly "to regulate Banking and the Deposit of Gold and Silver in Coin." It had been referred to the proper committee and had never been reported back to the house.

Neither of the last two bills had attracted any attention from the newspapers of the state. In the case of the bill introduced by Assemblyman Cartter, however, the way had been paved for it by public discussion which had been aroused by the bank failures and by the educational campaign carried on by King in the *Evening Bulletin.* The various sections of the proposed measure required the licensing of all parties engaged in banking activities of any sort. Quarterly statements were to be made, sworn to and published in the local papers and a copy was to be filed with the county recorder. These statements were to show the extent of the paid up capital stock, deposits, loans, cash on hand, etc. Bankers were to be prohibited from using any of their capital for any purpose other than that which pertained to the banking business.

For the most part the newspapers of the state commented favorably upon the bill and expressed the hope that it would be passed by the Legislature either as it stood or with possible modifications. Both the *Daily Herald* and the *Evening Bulletin* of San Francisco, however, objected to some parts of the proposed measure, but mainly on the ground that banking was a private busi-

ness and should not be compelled to disclose its affairs to the public through a published statement of condition. King in the *Evening Bulletin* of February 18, 1856, pointed out that,

"To a certain extent Mr. Cartter's bill would act very well if it were not for one doubt that crosses our mind, and that is its impracticability. We doubt very much if the courts would not defeat the end Mr. Cartter has in view by declaring such law, if passed, to be unconstitutional, on the ground that the business of a private banker is entitled to the same consideration as that of a dry goods or hardware merchant, or a flour dealer, or a house builder. This is the way in which this matter strikes us, though we are neither lawyer nor statesman enough to speak confidently on this point which we must leave to others better qualified than ourself to determine."

The Sacramento *Daily Union*, in replying to the above arguments on February 20, declared that,

"It has been urged that any legislation to regulate the business of private bankers would be unconstitutional, but we do not so view the question. Strictly speaking there can be no *private* banking, where the banker receives money on deposit from an entire community. By advertising themselves as bankers, ready to receive deposits, draw bills of exchange, etc., etc., they become, as far as the community is concerned, public institutions, and can by law be required, as far as may be deemed necessary, to protect the public from loss, and their depositors from the effects of any speculations or fraudulent transactions in which said bankers may choose to engage."

On March 19, the bill came up for discussion in the Assembly. Mr. Cartter in rising to defend the measure referred to the banking failures of 1855 and the consequent ruin that had been wrought throughout the state. The bankers had given no guarantee for the security of funds left with them. They had only about $460,000 capital, yet they were doing a business of over $3,000,000. He urged that something be done to secure the depositors against the possibility of loss, and claimed that had the provisions of his bill been in effect, the disastrous failure of Adams & Company would have been impossible. Because of the general distrust which had been created miners were burying their gold in the earth, others had concealed their wealth in various places, and a general lack of confidence prevailed. He argued that if the bill were passed, it would result only in driving the insolvent bankers

from the field and would protect the people from fraud and deception.

The passage of the bill was opposed by S. A. Sharp of San Francisco on the ground that it placed undue restrictions upon the bankers. He felt that its provisions, if enforced, would make it possible for only those bankers to continue who would be willing to commit perjury. He condemned the bill as unconstitutional and argued vigorously against its adoption. The Assembly passed the bill by a vote of fifty-four to seven. It was then sent to the Senate where on April 15 the Judiciary Committee of that body recommended that it be indefinitely postponed. The Sacramento *Daily Union* of April 19, 1856, pointedly asked "What has become of the Bank Bill passed by the House? Have the bankers been too much for it in the Senate? It seems to have been laid under the table in that body. It is a bill the people would like to see passed." And thus was recorded one of the many failures to secure protective legislation for the depositors of California.

Had King lived he undoubtedly would have continued his educational campaign for a more satisfactory banking system in California, but on May 14, 1856, he was fatally shot by James B. Casey, one of the supervisors of San Francisco, whom he had bitterly attacked in the columns of the *Evening Bulletin.* Strangely enough the banking firm against which the greater part of his efforts for clean and better banking had been directed survived him, but not for long.

King had shaken the faith of the public in the solvency of Palmer, Cook & Company. The failure of that banking house to pay the interest on the State debt in 1855 had also had its effect. But that firm remained as active as before both in the political and financial fields until the summer of 1856. On July 1 of that year it again failed to deposit funds in New York with which to pay interest on the State's obligations. Henry Bates was at that time State Treasurer. It was claimed by many that acting in collusion with Palmer, Cook & Company, without warrant from the State Comptroller and without taking any security whatsoever, he had forwarded the interest money ($88,520) to Palmer, Cook & Company instead of to the State's agent in New York City. The San Francisco firm later sent the required sum to meet the interest payments, but not before the public and many of the State officials had become thoroughly exercised over the un-

warranted situation. It was this exposure of the insolvency of Palmer, Cook & Company that finally forced it to close its doors on July 29, 1856, although it was not legally declared to be dissolved until January 21, 1857.

The *Evening Bulletin* had not been alone in its excoriation of Palmer, Cook & Company. The Sacramento *Daily Union* was equally vigorous in its denunciation and on July 31, 1856, had declared that,

"Like a vampire, this Banking House clings to the body politic, sucking its substance through all political changes, and yet execrated by the masses of the people, upon whose substance it feeds; and finally, to replete itself, it blasts the credit of the body upon which it has so long been preying. It is not our intention to indulge in speculations, but we have heard it suggested now, as it was when Duncan, Sherman & Company so nobly stepped forward to save the State before, that these men, whose business it is to deal in State securities, may have a design in prostrating our credit, in order to buy up the State indebtedness, at a low rate, and then by an equally skillful movement, put those evidences up again."

Joseph C. Palmer, one of the partners, attempted to rescue some of the assets from the wreckage of the business, and organized another banking house, but on November 27, 1857, it was compelled to suspend as a result of an attachment levied against it for the sum of $36,690. Bates, the State Treasurer, was subsequently removed from office, and in January, 1857, was impeached for having illegally placed State funds with Palmer, Cook & Company, for having purchased State warrants with State coin and pocketed the difference in value, and for having been guilty of various other irregularities while in office. Such was the inglorious end that capped the career of the once powerful and reputable banking firm of Palmer, Cook & Company! The history of the financial development of California contains no other instance of any bank, so prominent and so active politically, that finally fell so low in the esteem of the public. Events proved conclusively the justice of King's attacks on the policies and practices of that political-banking organization.

During the winter of 1855 and the greater portion of 1856 business was to a very great extent extremely unsettled. Gen. W. T. Sherman in describing the situation declared that,

"The mines continued to yield about fifty millions of gold a year; but little attention was paid to agriculture or to any business other than that of 'mining,' and, as the placer-gold was becoming worked out, the miners were restless and uneasy, and were shifting about from place to place, impelled by rumors put afloat for speculative purposes. A great many extensive enterprises by joint stock companies had been begun, in the way of water-ditches, to bring water from the head of the mountain streams down to the richer alluvial deposits, and nearly all of these companies became embarrassed or bankrupt. Foreign capital, also, which had been attracted to California by reason of the high rates of interest, was being withdrawn, or was tied up in property which could not be sold; and, although our bank's having withstood the panic gave us great credit, still the community itself was shaken, and loans of money were risky in the extreme. A great many merchants, of the highest name, availed themselves of the extremely liberal bankrupt law to get discharged of their old debts, without sacrificing much, if any, of their stocks of goods on hand, except a lawyer's fee; thus realizing Martin Burke's saying that 'many a clever fellow has been ruined by paying his debts.' The merchants and business men of San Francisco did not intend to be ruined by such a course. I raised the rate of exchange from three to three and a half, while others kept on at the old rate; and I labored hard to collect old debts, and strove, in making new loans, to be on the safe side. The State and city both denied much of their public debt; in fact, repudiated it; and real estate, which the year before had been first-class security, became utterly unsalable."[38]

Nevertheless in the fall of 1855, as the effects of the events of Black Friday gradually wore away, several new banking houses ventured to establish themselves in San Francisco. The old firm of Argenti & Company had failed, but in September, 1856, Felix Argenti, one of the partners, allied himself with a former employee, J. B. E. Cavallier, and organized the firm of F. Argenti, Cavallier & Company. This banking house remained in operation until some time in 1857. Cavallier later became a stock broker and was one of the organizers and the first president of the San Francisco Stock and Bond Exchange Board, established in 1861. The newspapers suggested that Messrs. John Parrott and W. B. Comstock were "the leading members of the new firm."

Whether this was merely a rumor of the street or whether there was something to it we cannot say. But on September 10,

[38] Op. cit., vol. I, pp. 132-133.

1855, John Parrott and Walter B. Comstock did organize and open a banking house under the name of Parrott & Company. Parrott was born in Virginia in 1810, and as a young man had settled in Mazatlan, Mexico, where he engaged in the mercantile business. He became wealthy, was made United States consul at that port, and during the Mexican War served the interests of the United States to good advantage.

Parrott arrived in San Francisco in 1849, carrying with him $300,000 in Mexican currency, "a sum which probably no other man in California could then command in coin." He opened a mercantile establishment and soon became a prominent citizen of San Francisco. "His experience, reputation, sound judgment, and careful avoidance of speculative ventures, enabled him rapidly to increase his original capital, which, according to common repute, increased more than ten fold, though he had a large family and lived in elegant style, having one of the most luxurious mansions on the coast, until the railroad and bonanza princes made their appearance. He bought numerous lots in the business portions of San Francisco, and erected substantial buildings, including the granite structure on the northwest corner of California and Montgomery streets, the stone for which was quarried and cut in China in 1853. For many years Mr. Parrott did a banking business, conducting it so prudently that, no matter what financial convulsion troubled the community, he never closed his doors for a day."[39] Parrott & Company was one of the strongest financial institutions in the early history of California. Parrott himself was credited with having "a genius for the accumulation of money and an almost unfailing judgment in investments." He was slightly deaf, and many will still "remember to this day his peculiar habit of cupping one hand about his ear as listening for a repetition of the question." Parrott & Company was merged with the London & San Francisco Bank, Ltd., on January 1, 1871, which was later absorbed by the Bank of California. Parrott died March 30, 1884.

In addition to the two banking houses of San Francisco which have just been mentioned, the following firms were active during 1855 as money lenders or exchange dealers: Forbes & Babcock, Andrew Garr & Ed. Byrne; Greene, Heath & Allen; J. T.

[39] J. S. Hittell, Commerce and Industries of the Pacific Coast, San Francisco, 1882, p. 137.

Dean & J. T. Smith; William Leffingwell; James Patrick & Company; W. R. Moller & Company; Moore & Folger; E. Berri; Abrams & Brother; Ziel, Bertheau & Company; E. H. Hodges; J. D. Redmond; Daniel Gibb; and L. Bartlett, Jr.

A tendency toward the shortening of banking hours was evidenced as the year 1855 drew to a close. In the early days of November, the public of San Francisco was notified that on and after the fifteenth of that month, the bankers would close their offices at 3:00 P. M., where previously they had remained open until 4:00 P. M.

As might have been expected there were some interesting developments in the banking field outside of San Francisco during these troublous times. The failure of Adams & Company really was the cause of a number of banking houses being opened in some of the outlying communities. When Alonzo Delano, agent for Adams & Company at Grass Valley, was notified by the head office to pay out no money he refused to obey, and instead called the depositors together and, after reading the telegram to them is quoted as having said, "Come and get your deposits; you shall have what is yours so long as there is a dollar in the safe." Needless to say the depositors did as requested. Delano immediately opened his own banking house in Grass Valley with greater deposits than Adams & Company had ever had. Delano died in 1874 after a successful and honorable career as a banker.

Macy, Low & Company of Marysville was another banking house that grew out of the failure of Adams & Company. Frederick F. Low was born near Frankford, Maine, June 30, 1828. He arrived in San Francisco June 14, 1849. After spending a few months in the mines he returned to San Francisco, where he engaged in business until 1855. He then went to Marysville and opened the banking house referred to in partnership with Charles B. Macy, who had been the local agent of Adams & Company in that city.

Upon Macy's death, Charles L. Low was brought into the firm, and the business continued as Low Brothers & Company until 1861, when it was sold to Norman D. Rideout and William Smith, and became the Rideout & Smith Bank. Frederick F. Low had been elected to Congress in 1860 on the Republican ticket. At the conclusion of his term he was appointed Collector of the Port of San Francisco. He was then elected governor of the State,

serving from 1863 to 1867. He declined renomination. In 1870 he was appointed United States Minister to China, and after serving for two years, returned to San Francisco to become associate manager of the Anglo-Californian Bank, Ltd., of San Francisco, which position he held until his death on July 21, 1894. He was of genial nature, sound judgment and unquestioned integrity.

Norman D. Rideout was born in Maine in 1832 and arrived in Yuba County in 1851. He conducted a store at Galena Hill, then an active mining center, and later became interested in the banking business of Brown & Company at Comptonville. In 1861, he and Smith purchased the bank of Low Brothers & Company. A year later he bought out the interest of Smith but continued to operate as the Rideout & Smith Bank. In 1890, he incorporated the business as the Rideout Bank. In 1866, he and Smith purchased the private bank of George Faulkner & Company at Oroville and operated it for many years as the Bank of Rideout, Smith & Company. Rideout was one of the prime movers in the organization of the California State Bank at Sacramento, the Bank of Willows, the Northern California Bank of Savings at Marysville, the Rideout Bank at Gridley, the Bank of Butte County at Chico, the Placer County Bank at Auburn, the Mercantile Trust Company in San Francisco, and other banking houses. He was vice president of the Sperry Flour Company and director of the Yosemite Railroad Company. He also held numerous offices in various industrial concerns throughout the state. With associates he built the Northern California Railroad in 1888. He operated a line of steamers from San Francisco to Marysville; was supervisor of Yuba County, 1868-70; councilman in Marysville, 1862-63; and mayor of Marysville, 1878-79. In 1895-96, he was president of the California Bankers Association, and remained active in its councils for many years. He died at his home in San Francisco, July 2, 1907. The Rideout Bank of Marysville was sold to the Bank of Italy, February 4, 1922.

Another banking company established in Marysville in 1855 was that of Reynolds Brothers (R. A. Reynolds, C. H. Reynolds, and R. J. Reynolds), which opened quarters on the southeast corner of First Street and the Plaza. S. W. Langton of Downieville, N. Wilkinson of Marysville, and Charles P. Stone, a bullion dealer and banker of San Francisco, organized "Langton's Pioneer Express," on November 1, 1855, "for the transacting of a general

Banking, Exchange and Gold Dust business in Downieville and Marysville." The firm in Downieville was known as Langton & Company, while in Marysville it was known as Wilkinson & Company. Wilkinson & Company as bankers had been in existence for some time prior to 1855, but just how much earlier, I have been unable to ascertain. Wilkinson & Company withdrew from the organization in the summer of 1856, and Stone did likewise some time later, although he continued to act as agent for the express company in San Francisco. On December 7, 1856, drafts on the Pioneer Express were dishonored in San Francisco and a run ensued on its offices in Marysville, Downieville and Forest City, forcing it to suspend and also causing the failure of Stone.

William W. Gift & Company (William W. Gift and George W. Gift) opened as bankers in Sacramento in July, 1855, at the corner of J and Third streets, but remained in operation for only a few months. An early instance of branch banking (not the first, however) is to be noted in the case of Drexel, Sather & Church of San Francisco, which opened a branch office in Sacramento in October, 1855, at the corner of Third and J streets. Thomas S. Fiske was the resident manager of the branch. In November of that year, the Sacramento banks notified the public that on and after December 1, their office hours would be from 9 A. M. to 4 P. M. In March, 1855, Doctor Buker, who had been connected with the banking firm of B. F. Hastings & Company of Sacramento, opened a banking house at Placerville. In the latter part of 1855, Graham & Spear (Francis Graham and J. J. Spear, Jr.) established themselves at Georgetown, Eldorado County. The new firm advertised that it would attend "promptly" to all business pertaining to banking.

During 1856, the one outstanding event in California banking circles was the organization of the firm of Garrison, Morgan, Fretz & Ralston. C. K. Garrison had been mayor of San Francisco and at the time of the formation of the co-partnership was engaged in the sale and purchase of exchange. Charles Morgan was the New York partner and representative caring for the interest of the company in that city under the firm name of Charles Morgan & Company. W. C. Ralston was a native of Ohio, born in 1826. After receiving a common school education he worked for several years as ship carpenter and clerk on the river boats of the Ohio and Mississippi rivers. In 1850, he joined

the stampede to California, but stopped at Panama, where he became the agent of Garrison & Morgan, who were at that time operating a line of steamships between New York and San Francisco. In 1853, he reached San Francisco, where he continued to act as the agent of his former employers.

When Garrison, Morgan and R. S. Fretz decided to open a banking house, Ralston was taken in as a partner. The new firm advertised a paid-up capital stock of $700,000. The local newspapers described the members of the firm as being "thoroughly good business men, of unimpeachable integrity and possessed of abundant private means." It was also stated by the press that, "The establishment of this house will supply a desideratum felt quite severely of late in San Francisco." The new bank was opened New Year's Day, 1856, at the corner of Clay and Montgomery streets. It subsequently moved to the southwest corner of Washington and Battery streets, across the street from Lucas, Turner & Company. On July 14, 1857, the partnership was dissolved, the business being continued by Fretz & Ralston. Both Garrison and Morgan had been steamboat captains on the Mississippi. For some time after the dissolution of the firm Morgan remained in New York, but later moved to New Orleans, where he established the Morgan line of steamers running between New Orleans and New York.

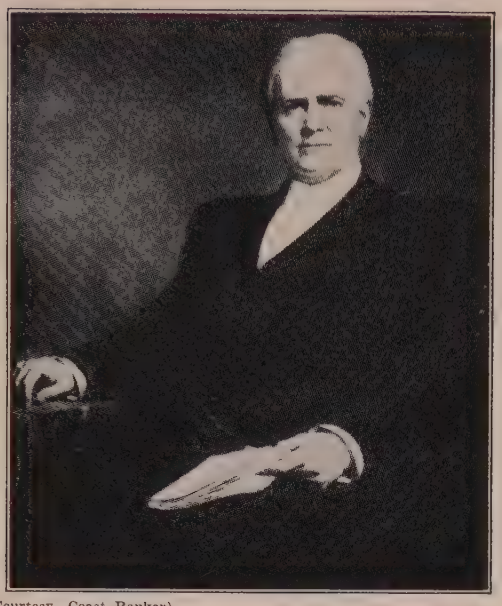
The banking partnership of Fretz & Ralston was successful from the first and soon established itself firmly among the financial interests of the state. On December 31, 1860, the public was informed that Fretz & Ralston had joined with Eugene Kelly and Joseph A. Donohoe, and that after January 1, the business of the old firm would be continued under the title of Donohoe, Ralston & Company. Eugene Kelly & Company of New York City was later organized to represent the San Francisco house in the eastern part of the United States. The *Coast Banker* in its issue of July, 1914, presents the following interesting statement regarding Kelly and Donohoe:

"Eugene Kelly landed in New York shortly after the big fire there in 1834 and went to work for Donnelly Brothers, a prominent dry goods firm. A few years later he opened a dry goods store of his own at Maysville, Ky. A decade later he owned one of the largest wholesale dry goods establishments in St. Louis and was rated as one of the wealthiest men of that section. He

became greatly interested in the development of the West, caught the gold fever of '49, and determined to establish a store in San Francisco. With him in St. Louis were two enterprising and energetic young men, Joseph A. Donohoe and Daniel T. Murphy. The three started with their outfit from Independence, Mo., over the old Santa Fe trail. Young Donohoe fell ill with brain fever at Santa Fe and a doctor ordered him back to New York to spend the winter in a cold climate; then he started for California via Panama. Meanwhile Eugene Kelly had gone to Mexico to clean up some special business, while Daniel Murphy continued straight to California and entered the state in time to become a pioneer of '49. Mr. Kelly and Mr. Donohoe arrived here early in 1850, and a little later Mr. Kelly opened his wholesale dry goods store. Mr. Donohoe tried his fortune for a time trading at Sacramento, at Rough and Ready, and other camps, but a year or more later the three met in San Francisco again and September 15, 1852, the wholesale dry goods firm of Eugene Kelly & Company was launched in a new store by Eugene Kelly, Daniel T. Murphy and Joseph A. Donohoe, partners. Some time afterward Adam Grant and Thomas Breeze were taken into the partnership. Towards the close of the '50s these principals had accumulated fortunes. Mr. Donohoe withdrew from the firm and set out on a tour of the world; with him were Edgar Mills, J. Y. Hallock, and Rev. Mr. Benton, all taking passage on the sailing vessel *Storm King*. Some two years before this Mr. Kelly returned to New York and married Miss Margaret Hughes, only niece of Rt. Rev. John Hughes, archbishop of New York.

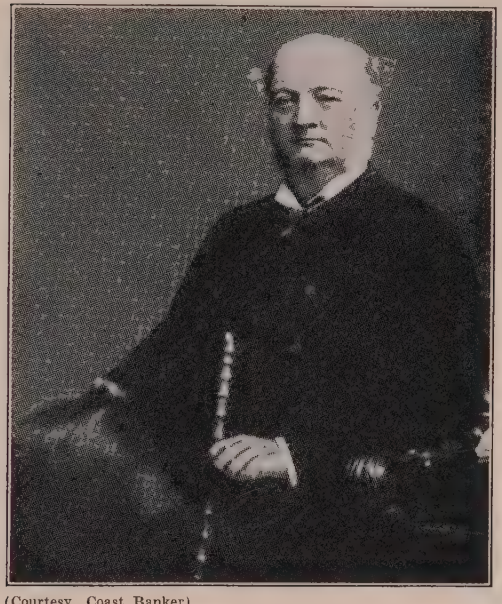
"On this trip Mr. Kelly made acquaintances and established financial connections which later brought him back to New York in a period which saw the founding of the contemporary private banking houses of August Belmont, Drexel, Morgan & Company, Brown Brothers, Eugene Kelly & Company, and others, a group of private banks whose influence for good in the financial world was very great during the Civil War and in the difficult time which followed. They purchased heavily of Government securities issued at a critical time when the Government's credit was in question.

"Soon after Mr. Donohoe's return from abroad he and William C. Ralston, who was becoming prominent in local financial affairs and who was later to cut so large and fine a figure in the city's life and development, joined with Eugene Kelly in organizing in 1861 the private banking firm of Donohoe, Ralston & Company, the headquarters being located at Washington and Battery streets, opposite the old custom house. Eugene Kelly satisfied his old ambition, returned to New York, and established the banking firm of Eugene Kelly & Company, representing Donohoe, Ralston & Company in the East. Daniel Murphy and Adam Grant suc-



(Courtesy, Coast Banker)

EUGENE KELLY



(Courtesy, Coast Banker)

JOSEPH A. DONOHOE

FOUNDERS OF THE PIONEER BANKING FIRM OF DONOHOE, KELLY & CO.

ceeded to the wholesale dry goods business of Eugene Kelly & Company and the name was changed to Murphy, Grant & Company. The name passed from trade circles last year [1913], when the business and good will were merged with another firm."

The partnership of Donohoe, Ralston & Company was most successful financially. As a result of the developments following the outbreak of the Civil War and the rise in the price of gold as measured in terms of greenbacks, the firm reaped a most bounteous harvest. "The San Francisco firm soon took the lead in the banking and bullion business in the state. The immense bullion shipments from the mines of California and Nevada passed through its hands. The prestige achieved by this sudden turn of fortune kindled in the breast of Mr. Kelly, manager of the New York branch, an aspiration to establish in New York a banking house that would at once take the lead in that line of business. To this Mr. Ralston was opposed."[40] It has also been claimed that Donohoe had become dissatisfied with the character of some of the loans that Ralston had been making.

The controversy waxed increasingly bitter and Z. S. Eldredge,[41] one of the early bankers of San Francisco, states that Ralston secretly began making preparations for the organization of a new bank. As subscriptions to the stock came in, Ralston invested the returns in choice paper, discounts, bonds, etc., with the idea that when the new bank was ready to open it might start with a goodly amount of business on its books. All of those plans were kept secret from Donohoe and Kelly, who knew nothing of what was going on until some time in June, 1864. On June 16 of that year a notice appeared in the San Francisco newspapers to the effect that the partnership was to be dissolved on June 30, and that Donohoe and Kelly would establish their own banking house in San Francisco, with Eugene Kelly & Company as their New York representatives.

The new bank of Donohoe, Kelly & Company opened on the southeast corner of Montgomery and Sacramento streets, but later moved to its present location at 68 Sutter Street. John W. Flood and Howard Havens were admitted to the partnership on July 1, 1876, without affecting the firm's title. In March, 1891,

[40] A. Phelps, Contemporary Biographies of California's Representative Men, San Francisco, 1882, p. 148.
[41] History of California, Vol. V, p. 432.

this private banking firm was incorporated under the State laws as the Donohoe, Kelly Banking Company. Eugene Kelly died December 12, 1894. J. A. Donohoe survived him but a few months, passing away April 5, 1895. The families of the founders are still active in its affairs. Thomas H. Kelly, son of Eugene Kelly, is a member of the bank's board of directors, while Joseph A. Donohoe, Jr., is president of the bank, and his son, Joseph A. Donohoe, III, is assistant cashier.

A few days were required to close up the business of the firm of Donohoe, Ralston & Company, and this was accomplished under the former partnership title of Fretz & Ralston. On July 5, 1864, Ralston's new bank, the Bank of California, was formally opened in the offices previously occupied by Fretz & Ralston, on the southwest corner of Washington and Battery streets. Eldredge claims that the Bank of California paid Ralston $50,000 for that portion of the business of Donohoe, Ralston & Company which he was able to obtain for it.[42]

The Bank of California later became and remained for many years the most successful and powerful banking institution on the Pacific Coast. We shall have more to do with it and with Ralston's later activities in subsequent chapters. It was he who, although primarily responsible for its organization in 1864, was also responsible for the most shameful manner in which it was wrecked eleven years later.

In addition to the other banking firms that have been mentioned, I find that Lucien and Samuel Hermann were engaged in banking in San Francisco in 1856. The *Mercantile Trust Review of the Pacific* of June 15, 1924, states that they had established themselves at the southwest corner of Montgomery and Commercial streets in 1852, but I have been unable to find any record of their enterprise at that early date. This banking house did not play an important part in the financial world of San Francisco and subsequently passed quietly from the scene of action. Lucien Hermann was later associated with Cavallier & Company.

The San Francisco directory of 1856 lists Henry Hentsch as being engaged in assaying and banking at that time. He was located at the corner of Montgomery and Jackson streets. In 1863, he formed a partnership with Francis Berton and moved

---

[42] Op. cit., p. 454.

to the southwest corner of Clay and Leidesdorff streets. Hentsch & Berton remained active until March, 1873, when their business became the San Francisco branch of the Swiss-American Bank, incorporated in Geneva, Switzerland, January 20, 1873, with a capital of $2,000,000. Hentsch was president of the organization and Berton was one of the directors. The Swiss-American Bank retired in October, 1877. Berton in 1878 organized the private banking firm of F. Berton & Company, but remained active for only a few years.

In 1856, N. W. Wilkinson opened the San Francisco agency of Wilkinson & Company, a banking firm of Marysville. His office was at the corner of Jackson and Montgomery streets. In the outlying districts I find that W. H. Pratt had a banking and exchange house in Georgetown in 1856, and that H. Bullock was a "Banker and dealer in Exchange and Gold Dust" at Springfield. In July, 1856, the Sacramento bankers agreed that on and after August 1, they would charge all parties, other than depositors, 50 cents for San Francisco drafts for sums less than $500, and 50 cents for each additional $500.

In 1857, the outstanding event in the financial circles of San Francisco was the organization of the Savings and Loan Society, incorporated July 23, with E. W. Burr, president; John Archbald, vice president; and William Herrick, secretary. Burr was the first president of the San Francisco Board of Supervisors to be chosen after the successful conclusion of the activities of the Second Vigilance Committee in 1856. The Savings and Loan Society was the first banking company of California formed under the general incorporation laws of the State, and was in reality a reorganization of the San Francisco Accumulating Fund Association, which, as has already been noted, was launched in 1854 as a sort of temporary building and loan association.

After a few years of experience and contact with the local situation the officers of the latter had begun to consider seriously the advisability of incorporating as a bona fide savings bank. The statute of April 14, 1853, provided for the incorporation of business firms formed "for manufacturing, mining, mechanical or chemical purposes, or for the purpose of engaging in any species of trade or commerce, foreign or domestic." There appeared to be a real need for an incorporated savings bank. The confidence of the public in the private banking houses had been rudely shaken

as a consequence of the failures of 1854-55. But, the officials of the San Francisco Accumulating Fund Association were a little dubious as to whether the above statute was meant to authorize the incorporation of banking houses, especially when the delegates to the First State Constitutional Convention had been so outspoken in their opposition to chartered banks, which opposition as has been noted had been reiterated by the First State Legislature. While the question of going ahead with the incorporation was being debated, placards appeared in various public places in San Francisco announcing that a nephew of Phineas Barnum was about to engage in a similar enterprise. Nothing further was needed to bring about a decision, with the result that the Savings and Loan Society was incorporated, July 23, 1857. The rival institution was never launched.

The question as to whether or not it was legally possible to incorporate a general savings bank business under the statute of April 14, 1853, still continued to be raised. To avoid any possible difficulty in this connection, the bank began agitating in 1861 for the enactment of a law which would provide for the accumulation and investment of savings funds by incorporated bodies. For some unknown reason its action in this regard started a rumor among the citizens of San Francisco to the effect that the institution was in an unsound condition and was hoping to have a law passed to safeguard its interests. A run was started, and before the year had elapsed more than $1,500,000 had been withdrawn by depositors, but without seriously crippling the bank. Never again was its solvency questioned. In April, 1862, the California Legislature passed a law authorizing the formation of savings banks, and the Savings and Loan Society was accordingly reincorporated under its provisions on December 12, 1865.

The Savings and Loan Society had offices on the second floor of a building on Washington near Montgomery. At the end of the first six months it had deposits of $21,522, upon which it paid a monthly dividend of 1½ per cent. At the close of its first year, its deposits had increased to $31,886, on which a monthly dividend of 1⅝ per cent was paid. So far as I know, this splendid rate of dividend, the only time it was paid by the Savings and Loan Society, has never been equalled by any other similar organization. The business of the bank expanded so rapidly that in four years its deposits totalled $1,052,869. The bank subsequently re-

moved to its own brick building on Clay Street.[43] In 1890, it erected new quarters on the northwest corner of Montgomery and Sutter streets. On April 7, 1910, it consolidated with the Savings Union, which had been incorporated on June 18, 1862. The new institution was known as the Savings Union Bank of San Francisco, which title was changed on December 19, 1911, to the Savings Union Bank and Trust Company. On July 3, 1920, it was absorbed by the Mercantile Trust Company of San Francisco.

Another interesting development during 1857 was the opening of "Samuel Brannan's Bank" in one of Brannan's buildings, Armory Hall, on the northeast corner of Montgomery and California streets. Brannan had planned this venture as a first-class and thoroughly protected savings bank. He provided that the deposits of his institution were to be secured by $450,000 of real estate held in trust by three men, Volney E. Howard, Samuel J. Hensley and Eli Cook, all of excellent reputation. Three per cent was to be paid on deposits. Shortly after starting his bank, Brannan unsuccessfully attempted to issue a peculiar type of paper money which is more fully described in Chapter VIII. "Samuel Brannan's Bank" did not appeal to the public; it received no support, and voluntarily liquidated in 1859. Later (in 1863) Brannan was associated with a group of local financiers in the organization of the Pacific Accumulation Loan Company, which subsequently became the Pacific Bank.

Samuel Brannan, one of the early pioneers who played such an important and interesting part in the history of California, was born in Saco, Maine, March 25, 1819. As a young man he was apprenticed to a country newspaper in Ohio. By the time he was seventeen he had accumulated sufficient funds from his speculations to be able to buy off his apprenticeship. In 1837, he became a land speculator and town boomer, only to find himself penniless at the close of that year. He then returned to the printer's case and for some years worked on various newspapers in the eastern part of the United States. In 1842, he was converted to Mormonism and subsequently published a small weekly paper, *The Messenger*, on its behalf in New York City. He netted a considerable income from this venture and at the close of the

[43] It was commonly referred to as the "Clay Street Bank."

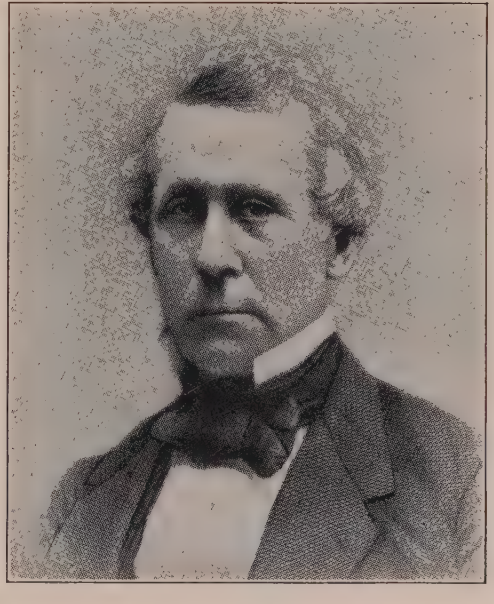
Mexican War led a party of Mormons to California. He purchased a ship, the *Brooklyn*, for $16,500, and booked 236 passengers at $120 each.

The *Brooklyn* left New York in February, 1846, and after stopping at Honolulu reached San Francisco, then known as "Yerba Buena," on July 31. Brannan had brought with him a printing press and other newspaper equipment, together with machinery for a flour mill. He erected the flour mill on Clay Street, near Leidesdorff. In 1847, he established a small weekly paper, the *California Star*. Toward the close of 1848, Edward Gilbert, the first congressman to be elected from this State, began the publication of *The Californian*. On July 4, 1849, these two papers were merged and replaced by the *Daily Alta California* under Brannan's ownership. It was for many years the leading newspaper in the state. In 1850, Brannan disposed of his interests in the *Alta California* for $125,000 and invested the returns in a financial venture in Honolulu, which he sold at the end of five years at a loss of $45,000.

During the days of the gold rush of 1848, Brannan established a store at Sutter's Fort in partnership with C. C. Smith. Smith subsequently withdrew. Brannan then removed his business to Sacramento and opened up under the firm name of Smith, Brannan & Company. Early in 1850 he disposed of this store and settled in San Francisco, where he became a real estate operator and a dealer in gold dust, coin and exchange. In 1853, he was rated as being the only millionaire in California. Shortly after having assisted in the organization of the Pacific Accumulating Loan Company and its successor, the Pacific Bank, his business ventures began to go from bad to worse.

One by one his real estate holdings slipped away, until in 1865 he is said to have confessed that his assets did not exceed $20,000. About 1870, he went to Arizona, where he lived in poverty for many years. He died in Escondido, Mexico, May 5, 1889. Brannan's body lay for a year in a receiving vault for lack of burial funds. A two-inch stake marks his grave in a San Diego cemetery. His wife obtained a divorce in 1859 and, with their five children, went to Germany, where she lived during the remainder of her life. One who knew Brannan intimately has stated that, "He was the first man to inject enterprise into San Francisco

SAMUEL BRANNAN



JOHN PERRY, JR.

and transform it from a sleepy little Spanish town into the second commercial city of the great American nation."

Several other banking houses ventured forth upon the stormy field of finance during 1857. One of these was the firm of Banks & Bull (Thomas C. Banks and Thomas Bull), which opened a private banking business on the southwest corner of Montgomery and Commercial streets. Both of these gentlemen had been previously connected with Wells, Fargo & Company. Bull retired in 1858 and was succeeded by Erwin Davis, whereupon the firm's title was changed to Banks & Davis, later to Banks & Company. It failed in 1870. Daniel Meyer and his brother Jonas organized the Bank of Daniel Meyer during this year. Daniel Meyer, a Bavarian by birth, had been connected with a Parisian banking company before coming to New York in 1848. Three years later he reached California. Shortly after opening his bank, he took in two brothers, Moritz and Matthias, as partners. In 1908, three nephews, Albert, Henry and Harry G. Meyer, were also admitted into the firm. Daniel Meyer died September 5, 1911, at the age of eighty-seven. The *Coast Banker* at that time stated that the Bank of Daniel Meyer "has cut a large figure in the local financial field and has long been well known in American and foreign banking circles."[44] The business was sold to the Bank of Daniel Meyer, which had been incorporated January 24, 1912. The latter voluntarily dissolved November 12, 1914.

Another banker, Henry Bainbridge, entered the field in 1857. His bank, located at the corner of Merchant and Montgomery streets, remained in operation until 1859. The following firms were some of the more important money brokers and exchange dealers established in San Francisco during 1857: Charles A. Pitcher, George Warn, Charles Mayne, Cross & Company, Samuel Price & Company, and Leopold Lowenberg.

The year 1857 also saw the closing of the San Francisco office of the old, reputable firm of Lucas, Turner & Company. Gen. W. T. Sherman, in his *Memoirs*, makes the following interesting comments upon his company's action:

"The office labor and confinement, and the anxiety attending the business, aggravated my asthma to such an extent that at times it deprived me of sleep, and threatened to become chronic and serious; and I was also conscious that the first and original

[44] September, 1911, p. 190.

cause which had induced Mr. Lucas to establish the bank in California had ceased. I so reported to him, and that I really believed that he could use his money more safely and to better advantage in St. Louis. This met his prompt approval, and he instructed me gradually to draw out, preparatory to a removal to New York City. Accordingly, early in April, 1857, I published an advertisement in the San Francisco papers, notifying our customers that, on the 1st day of May, we would discontinue business, remove East, requiring all to withdraw their accounts, and declaring that, if any remained on the 1st day of May, their balances would be transferred to the banking house of Parrott & Company. Punctually to the day, this was done, and the business of Lucas, Turner & Company, of San Francisco, was discontinued, except the more difficult and disagreeable part of collecting their own moneys and selling the real estate, to which the firm had succeeded by purchase or foreclosure. One of the partners, B. R. Nisbet, assisted by our attorney, S. M. Bowman, Esq., remained behind to close up the business of the bank."[45]

A month later the firm of Drexel, Sather & Church was dissolved, with Sather & Church continuing the business in San Francisco. In Sacramento, Thomas S. Fiske, who had been the manager of the branch office in that city, was taken into the partnership, and the branch, until its dissolution a year later, was known as Fiske, Sather & Church. The *Bankers Magazine* of New York, in its issue of July, 1857, in commenting upon the withdrawal of M. Drexel from Drexel, Sather & Church and the closing of the banking house of Lucas, Turner & Company, stated that,

"The reason assigned for all this withdrawal of capital is the unsatisfactory manner in which business is conducted in San Francisco, and the uncertain value of California securities. Capital, however, finds such profitable investment in San Francisco, and the commercial prospects of California are so flattering, that we have no doubt that new capitalists will send their active means thither."

There were no developments of consequence in the state outside of San Francisco during 1857. I find mention made of the existence of a banking and assaying firm in Weaverville operating under the name of Greenhood & Newbauer. It went into bankruptcy, and on December 16, 1868, its business and building were sold to M. F. Griffin, who operated the bank until his death in

[45] Pp. 132-133.

1887. His widow continued until March 25, 1889, when she sold out to C. W. Smith. The banking business up to that time had consisted of the purchase and transfer of gold dust and bullion and the sale of exchange. In 1900, C. H. Edwards and his father, W. R. Edwards, purchased the Bank of C. W. Smith and incorporated the business under the title of the Trinity County Bank, with $25,000 paid-up capital. The first officers were W. R. Edwards, president, and Richard Stiller, cashier. In 1909 they established a savings department and purchased the Savings Bank of Trinity County.

In 1857, the United States was swept by another serious financial panic, which had been caused by widespread speculation. The opening of the West had induced many to invest in the wildest sorts of ventures in the hope of large returns. It is said that between 1830 and 1860, $350,000,000 was sunk in railroads alone, not to mention the millions spent in building ships and canals and in exploiting the country's natural resources, particularly iron and coal in Pennsylvania. The rapid industrial development was out of all proportion to the needs of the times. Credit was strained to the utmost. A crash was inevitable, and it was claimed that it was only the large shipments of gold from California to New York and from New York to Europe that prevented the panic from occurring several years earlier. In fact, as early as February 28, 1855, the San Francisco *Daily Herald* had declared that,

"During the year, 1854, we shipped to the Atlantic states gold dust to the value of at least sixty millions of dollars. During the same time there was an exhausting drain of specie from New York to Europe, and we assert * * * that our gold saved the entire business community from bankruptcy and enabled the banks to weather a storm, that but for us must have proved more disastrous than that of 1837. The arrival of the California steamer was looked for with feverish anxiety and Wall Street breathed again as our treasures were steadily poured into the exhausted vaults of the bankers. Had it been announced during the trying times in New York that California had cut loose from the states and would send no more gold to their relief, consternation would have filled every breast and a crashing panic have been the consequence."

The crisis of 1857 was primarily financial in character. From 1843 to 1857, the number of banking institutions in the eastern states had more than doubled. The questionable state bank note

circulation had increased from $58,000,000 in 1843 to $214,000,000 in 1857. Loans had been extended beyond all limits of safety, having increased from $254,000,000 in 1843 to $684,000,000 in 1857. On August 22, 1857, the liabilities of the banks of New York City alone were $12,000,000 in excess of their available capital. On August 24, the Ohio Life Insurance and Trust Company failed and carried down with it some of the more outstanding firms in New York City. A run on the banks followed. Many failed, and innumerable speculative business enterprises became bankrupt. There were about 5,000 failures in 1857, and about 4,250 in 1858. The losses amounted to approximately $387,000,000.

San Francisco was not affected to any noticeable extent by the panic conditions then existing in the East, and it was not until the news was received telling of the failure of the Ohio Life Insurance and Trust Company and the loss at sea of the steamship *Central American*, carrying $1,800,000 in California gold, that the financial houses of the community began to feel the strain. On November 3, 1857, Sather & Church closed their doors, but promised to resume as soon as their affairs could be satisfactorily adjusted. The direct cause of their temporary suspension was the fact that some of their drafts had been protested in New York. Attachments were immediately levied upon the house and were met without embarrassment, but a run ensued, the stock of coin became exhausted, and the company was compelled to close its San Francisco and Sacramento offices. It immediately announced, however, that its liabilities were only $242,000, while its assets totalled $464,000. Wells, Fargo & Company and Pioche & Bayerque were likewise forced to suspend, but only for a few days.

Sather & Church resumed operations on April 1, 1858. On August 29, 1861, Edward W. Church died. Two years later the firm's name was changed to Sather & Company. In 1887, it was incorporated as the Sather Banking Company; in 1897, was reorganized as the San Francisco National Bank, and in 1910, was finally absorbed by the Bank of California, National Association. During the period of the temporary suspension of Sather & Church, the Sacramento branch was discontinued. Thomas S. Fiske, who had been the resident partner and manager, thereupon decided to establish his own banking house, which he did under the

title of Thomas S. Fiske & Company, Bankers. The latter firm was closed by the sheriff on September 25, 1861.

An anonymous writer, C. T. H., made excellent use of the panicky conditions in San Francisco and throughout the state to drive home the necessity of establishing a more satisfactory banking system in California. He stated in the *Evening Bulletin* of November 5, 1857, that,

"Misfortunes never come single! The terrible news brought by the *Panama*, of shipwreck and the loss of treasure, has not ceased to vibrate in our ears, when we are again thrown into a panic by the disastrous news of Tuesday. Our citizens had assembled to denounce monopoly and spend an hour's breath in vain regrets over the consequences of the criminal carelessness of steamship companies, and there, with true California evanescence, the subject was about to evaporate, when we are again called upon, by the cry of financial distress, to feel that our fortunes as well as our lives are endangered by our close dependence upon the other states."

Two days later (November 7, 1857), he cited Sections 34 and 35 of Article 4 of the State Constitution, and after calling attention to the fact that the Constitution allowed associations to be formed under the general laws for the deposit of gold and silver, he pointedly asked:

"What is this but a bank of deposit? And, if of deposit, why not of discount? There is nothing in these provisions to prevent such an association from using the money of its depositors; even in the wildest possible manner—if disposed to do so. The prohibition is against the issuing of money only. It was evidently not the intention of the framers of that clause to compel us to do without fiscal agents altogether; but, to prevent a gold bearing country, where hard money is abundant, from being cursed by chartered monopolies, and their issues of paper money. * * *

"What we want now is a general statute prescribing the mode in which the banks of discount and deposit shall be carried on, and protecting the public from the wholesale swindles that have been perpetrated upon us from the beginning. I maintain that there is nothing in the Constitution prohibitory of the establishment, by law, of safe and permanent banks of discount and deposit, so long as they are restrained from issuing bills to circulate as money."

In the *Evening Bulletin* of November 10, 1857, he outlined the general provisions of a proposed banking act, but nothing, however, resulted directly from his worthy suggestions. Progress in

the field of banking legislation was to come slowly and only with the passage of years.

During 1858, only three new banking companies were established in San Francisco. In May, John Sime & Company (John Sime, Benjamin Smith and L. W. Fisher) opened at the northwest corner of Clay and Montgomery streets. Somewhat later B. F. Hastings and J. F. Douglass were added to the partnership. It operated successfully until 1871, when it was forced into bankruptcy as a consequence of the operations of the manager of its agency at Virginia City. Bull, Baker & Company (Alpheus Bull and George Baker), located at 87 Front Street, also appeared upon the local field during 1858. A year later Bull withdrew, but Baker continued the business until 1860 as Baker & Company, with William Robbins as partner. Alpheus Bull reentered the banking field in 1859, but is said to have retired therefrom in 1861. He was later associated with the development of the Comstock Lode and became president of the famous Gould, Curry & Savage Silver Mining Company. In this year Nicholas Luning opened a private banking house at the northeast corner of Leidesdorff and Sacramento streets, and remained active until 1867-68.

So far as is known, the first bank established in Napa was opened in 1858 by James H. Goodman & Company. On July 1, 1889, it was incorporated as the James H. Goodman Company Bank. On January 27, 1917, it became the Napa branch of the Bank of Italy. George E. Goodman was born in Rochester, New York, July 5, 1823, where he resided until 1842, receiving a common school education in the meantime. He then went to Memphis, Tennessee, where he was engaged in the cotton business for ten years. In 1852 he set out for California, via the Isthmus of Panama, arriving in San Francisco on October 5th of that year.

Instead of hastening to the gold fields, he embarked in a provision business, which he operated successfully until he moved to Napa in 1855 to associate himself with Hart & Gary in a general merchandising concern. In 1858, he joined his brother, James H. Goodman, in establishing the first bank in Napa County. George E. Goodman became president of the bank when it was incorporated in 1889 and held that position until 1903, when he sold out his interest and retired. Besides being connected with the James H. Goodman & Company Bank, Mr. Goodman was a director of the Bank of California for some fifteen years, and of the San Francisco Savings and Loan Society for about twenty

years. He was also one of the organizers of the Napa Gas Company, which was eventually absorbed by the Pacific Gas and Electric Company, and of the Napa City Water Company, which is now owned by the City of Napa. In 1901, Mr. Goodman presented the City of Napa with a free public library. He died June 17, 1917.

The demand for legislation authorizing the formation of banking corporations continued unabated. The *Alta California* on January 6, 1858, declared editorially that,

"At the present time, there are thousands of banks of deposit and savings all over the state. They are located underneath the old stumps, in old straw mattresses, buried beneath some old log, hid away in an old stocking in a pile of rubbish, or in some other out of the way nook or corner, the money so deposited doing no good to the owners or to the public, causing the former to lie awake nights or to dream fitful dreams and absolutely making misery where it should produce happiness."

The voters at the preceding election had, by an overwhelming vote, favored a measure which had been submitted to them by the Legislature legalizing the public debt of the State and providing for the issuance of $3,900,000 of State bonds. On January 26, 1858, the editor of the *Alta California* took occasion to propose that California should adopt a banking law which would authorize the use of those bonds by savings banks as security for their deposits. On January 30, 1858, W. W. Shepherd of San Francisco introduced a bill into the State Assembly providing for the organization of associations under State laws with "power to hold, sell and convey real and personal estate; receive on deposit, special or otherwise, gold dust, bullion, money or property, personal or otherwise; to discount or loan money on credits; to buy and sell gold dust, bullion, money credits, or bills of exchange subject to the provisions of this act." It was read twice, referred to the Judiciary Committee and ordered printed, but never came before either house of the Legislature for discussion Apparently Californians were unwilling to remedy the unsatisfactory banking situation.

On April 12, 1859, the second bona fide savings institution was incorporated in San Francisco under the name of the Hibernia Savings and Loan Society and began operations in an upstairs room on Jackson Street above Montgomery. Its officers were John Sullivan, president; John McHugh, vice president; and John

Mel, treasurer. Shortly after being organized it advertised that it would receive deposits of $2.50 or more, and that its office hours would be from 10 to 12 and from 1:30 to 5. Ten years later the Hibernia Savings and Loan Society had 14,060 depositors, while all the other savings banks of San Francisco had about 12,500. Its deposits amounted to almost $10,000,000, while those of all its competitors were slightly in excess of that figure. The Hibernia Savings and Loan Society remained a stock company until August 29, 1864, when it was changed to a mutual basis under a law which had been passed by the Legislature in 1862. This institution has been wonderfully successful from the very first. It is the oldest bank in San Francisco, and has continued down to date without merging with or absorbing any other association. It has two local branches, and still conducts only a savings bank business.

Business in California recovered very slowly from the effects of the depression of 1854-55. It was not until the autumn months of 1858 that there were signs of returning confidence. In 1857, there had been 128 failures in San Francisco, involving $2,696,865 liabilities and $264,707 assets; in 1858, however, this number had decreased to 94, with liabilities of $1,609,534 and assets of $70,603; and in 1859, there were only 56 failures, with liabilities of $827,641 and assets of $96,831. One of the most important reasons for the delay in getting back to a normal state of affairs was the fact that California was going through a rather interesting industrial revolution. Mining methods had changed and were changing. The placers had given way to the quartz mines, which required deep tunnels, a greater number of employes, and larger amounts of capital.

With the passing of the placers, many who had previously engaged in mining on a small scale went into agriculture, with the result that agricultural activities expanded at a rapid rate. Within a surprisingly short time, California was able not only to produce enough foodstuffs for its own people, but also to export large amounts of its products to eastern and European ports. The *Mercantile Gazette and Prices Current* of San Francisco on January 3, 1856, stated that,

"Perhaps, however, the most important feature in the business of the country during the past years has been its exports. With the exception of gold and quicksilver, California had exported

nothing, it might be said, up to the beginning of 1855. A few vessels had, it is true, taken away cargoes, but they were of the most heterogeneous character, and were of but little value—a few hides, and horns, scrap iron, junk, some few articles of merchandise, reshipped to the ports from which they were originally shipped—these were California cargoes. How different is all this now. During the past we have shipped cargo after cargo of the agricultural products of our own soil to the most distant parts of the earth—to Europe, to Australia, to South America, to China, to the North Coast of our own continent—the value of which to the state cannot be estimated merely in the dollars and cents realized. California is already becoming known as an exporter of grain and flour as well as of gold, and there can exist no reasonable doubt that as her resources are developed one after the other, the list will be swelled until it rivals that of some of the older states. Four years ago the man who looked forward to the time when we would be exporting flour was considered visionary. There are those among us who are sanguine that we shall yet export cotton, tobacco, wool and hemp. With the experience of the last four years before us, should we despise such a prophet? With the peculiar capabilities of soil and climate which California possesses, nothing can be considered impossible.

"The power of self-support which California is acquiring by the efforts of her farmers, has been seconded to no inconsiderable degree by those of her other citizens. The manufactures of the state are increasing rapidly, and we are now supplying many of the articles here for which we were two years ago wholly dependent on the East. * * * During the past season we have commenced the packing and curing of provisions, not only here but in the interior, and, although the undertaking is as yet in its infancy, the effects are already beginning to be felt on the demand in this city. It is stated that there are no less than twenty packing establishments in the state—each of small capacity no doubt, but producing in the aggregate a large supply of cured provisions; and whatever doubts may have been entertained about the possibility of packing here, there can be none that the business can be carried on in the interior as well as in any part of the world. The manufacture of candles has been commenced, as well as the preserving of pickles and the packing of fresh vegetables. We have soap and starch factories, makers of matches, brewers of beer, distillers, bag makers, curers of fish, leather manufacturers, oil refineries, etc., while our salt mines promise at a very early day to supply the whole coast with this most important article of consumption—and the greatest activity prevails in coal mining in several sections of the state. When these sources of product come into full supply, which they must do in a very few years more, we shall have comparatively little to purchase abroad, and the

immense sums of money sent out of the country now will be retained in it. It is estimated that the state has saved ten millions of dollars during the past year by the product of her grain fields alone; when another twenty millions per annum is added to this, with the product of the mines continuing undiminished, this community must become one of the richest in the whole world."

Naturally, therefore, imports into California decreased at an astonishing rate. In 1853, the shipping that entered the harbor, not including that of the coasters and steamers which carried but little freight, totalled 407,000 tons, but by 1857 it had decreased to 197,000 tons. This of course meant that there was no longer need for many of the innumerable brokers, commission merchants, teamsters, longshoremen, boatmen and unskilled laborers who had previously been connected in one manner or another with the importation of goods into California. Consequently thousands of workers were without employment and many were penniless.

The return to normal business conditions was further delayed by the dry winter of 1856, by a reign of crime and terror which necessitated the Second Vigilance Committee, and by the decision of the State Supreme Court invalidating approximately $4,000,000 of State debt and certain outstanding financial obligations of the City of San Francisco, all of which were declared to have been illegally incurred. The Fraser River (British Columbia) gold rush of 1858 took away approximately 6 per cent of the population of the state and further retarded the improvement of business conditions. Real estate values in San Francisco fell fully 50 per cent as a consequence of the exodus, and banks suffered from the heavy withdrawal of funds, it being stated that during the three days ending January 19, 1858, Tallant & Wilde paid out approximately $900,000 to those who were headed for the new gold fields.

Although California suffered most grievously from the depression of 1854-57, nevertheless the disaster proved to be a blessing in disguise. It forced many unsound businesses to the wall and curtailed the activities of others, a number of which had no valid excuse for existing. It compelled the temporary abandonment of the rash and reckless spirit of speculation inherited from the days of '49, and brought about the adoption of saner and safer methods of conducting all commercial enterprises. From that time until the later '70s, California truly enjoyed a wonderful era of prosperity.

CHAPTER VII

THE PROSPEROUS SIXTIES

The period of the '60s was for California one of widespread prosperity, truly a "Golden Era." It succeeded the wild speculative days of the frontier and permitted the isolated business world of the state, except in the realm of mining, to settle down to steady habits and conservative practices for about a decade. It was to be followed, however, by another ten-year period, characterized by recurring hard times and discontent, which it has been found always mark the efforts of any community or people to become adjusted to conditions arising from the development of competition with the outside world. This competition, as will be seen later, was inevitably brought about by the completion of the transcontinental railroad in 1869.

The decade opened most auspiciously. The *Alta California* of October 10, 1860, declared that,

"Perhaps at no previous period of our history has there been so widely diffused financial ease among the people of our state as at present. No complaint is heard of 'hard times' among the industrial classes, of whatever denomination, and cases of industrial business misfortune have, for some time past, been exceedingly rare. This, in a great measure, results from the foreign demand this year for our agricultural products; the employment this demand, in one manner or another, has given to thousands, and the consequent diffusion of ready cash among the people, which has permeated every avenue of business, and imparted a stimulus to every industrial pursuit. Altogether the present promises to be a notable year in our progress."

This statement in reality applied to all the succeeding years of the decade. The population of the state increased from 380,000 in 1860, to 560,200 in 1870, while that of San Francisco increased during the same period from 56,802 to 149,473. The mining, agricultural and manufacturing interests developed to a surprising degree. The supply of capital was ample for all purposes and

was eagerly invested in various enterprises. Although the eastern part of the country suffered from the effects of the inflation caused by the issuance of the greenbacks, California refused to accept the depreciated paper money of the Federal government and remained upon a specie basis. The attitude of its people towards the greenbacks and the results which they obtained by adhering to "hard money" will be more fully discussed in Chapter VIII. In this place it is only necessary to state that a considerable portion of California's prosperity during the Civil War period, the abundant supply of capital sent in from outside sources, and the extensive development of its industrial life, were all due to the refusal of its people to use anything but gold and silver money in their business relations.

Untold millions were sunk in the mines of the state during this decade, and millions of dollars were paid in dividends to their owners. This latter fact, coupled with the great popularity of the joint stock company as a means of exploiting such properties, produced an unparalleled and widespread speculation in mining stocks among the Californians. Prior to the later '50s the mines had been owned and operated primarily by partnerships, but during the Comstock Lode excitement the joint stock or corporation form of business organization became increasingly popular. During the first three years of the '60s the number of mining corporations organized was out of all proportion to the needs and requirements of the situation. Especially during 1863 did it become the normal, expected thing for any party possessing a small mining claim to organize a corporation of large proportions and to sell the stock at astounding prices to a gullible and speculative public.

In April, 1863, over 300 mining companies were incorporated with a capital stock of more than $50,000,000. During the preceding three months more than $200,000,000 worth of mining stock had been placed on the market. In May, 1863, 276 mining companies were formed, with a capital stock of more than $1,000,000. It has been estimated that over 4,000 such corporations came into existence during 1863, and that,

"These, added to those that had been created in previous years, made certificates of stock as thick as autumn leaves after a November freeze. Every prominent citizen was a director in one or more of these companies and every community was contribut-

ing a sum, monthly, to pay the assessments. These were estimated to amount to a sum of over two million dollars a month throughout the entire state. The dividends from mining companies were estimated at about one million dollars a month, but there were hopes and expectations that every assessment proposition would, within the coming year, become a dividend payer and all investors become rich."[1]

Practically every person, regardless of rank, profession or wealth, took part in the speculative mania that raged like an epidemic. A stock exchange was organized in Sacramento, while three were started in San Francisco. During May, 1864, however, a serious slump occurred in the market, and in the course of a few months values decreased on the average more than one-half, causing a loss of millions to investors. Business conditions in the state were in such an excellent condition, however, that they were not noticeably affected, and only a few bankruptcies occurred. Again in 1865 and 1866, sudden declines took place in the prices of the more important and widely traded mining stocks. In September, 1866, Wells, Fargo & Company created a sensation by having a number of their agents arrested on charges of embezzlement. The latter had used the company's funds in their speculative activities, and when the slump came in stock quotations, they found themselves unable to replace the borrowed funds. "One agent committed suicide, another was declared to be $62,000 short in his accounts, and several others showed deficiencies ranging from $10,000 to $30,000."

As money lenders, the commercial banks of San Francisco and Sacramento were naturally concerned with the speculative trend of the times, and from 1863 to about 1875 the banks were seldom out of touch with the market. They accepted the stocks as collateral under an agreement permitting sale without notice so as to protect themselves against serious declines in quotations. They employed skilled brokers to watch the fluctuations of the market, with instructions to sell whenever they deemed it necessary in order to protect the banks' interests.

Interest rates on such loans were usually about twice that paid for long time advances on real estate. As indicative of the close connection between the banks and the stock market, it is interesting to note that the slump in stock prices on May 1, 1865,

[1] T. R. Jones, What Was Doing in California Fifty Years Ago, *Grizzly Bear*, vol. XIII-XIV, p. 4.

was caused primarily by the withdrawal of bank deposits by the public for the purpose of investing the funds in the very attractive offering of the seven-thirty bonds placed on the market by the United States Government. Over $400,000 was withdrawn from the Bank of California alone. The heavy withdrawals forced the banks to call in their mining stock loans, and compelled the borrowers to liquidate, thus throwing huge blocks of stock on the market and causing a slump in prices.

This decade also saw more attention paid to the development of agriculture and horticulture. During the preceding period California had, as we have noted, greatly increased its yield of grains and vegetables so as to be able to take care of the needs of its own population. But in the '60s, the state not only further increased its output of those commodities, but also added crops of fruits, berries, grapes, etc. The very serious droughts of 1862-63-64 did much to compel a more intensive cultivation of the soil, thus aiding in the rapid development of horticulture and viticulture.

Progress was also to be noted in the realm of manufacturing. The Civil War cut off practically all commercial intercourse between California and the eastern centers. The people of the Coast were compelled to depend more and more upon their own resources. This made it possible for a large number of new industries to be established, employing thousands of laborers. The *Evening Bulletin* of October 4, 1864, commented upon the fact that at that time there were in San Francisco from thirty to forty large, prosperous manufacturing establishments and a number of smaller ones. The city supported several woolen and sugar mills, a number of large foundries, wire rope, paper, glass, cordage, powder, tobacco, tin and hardware manufacturing concerns, and many plants of minor importance.

The high rates of returns available in California were most attractive to eastern capitalists, with a result that they invested heavily in the various enterprises of the state. The *Evening Bulletin* of November 22, 1864, stated that, "There are evidences that Eastern financiers are busy transferring funds to California. Approximately $600,000-$700,000 was transferred last week." In 1865, San Francisco was listed as the ninth city in the United States on the basis of both the amount of capital employed in manufacturing ($2,221,300) and the value of its manufactured

products ($19,318,714), which truly was not a bad showing for such a young city in a frontier community.

With the unrivalled prosperity of the state, came also the formation of trade unions among the workers. During this decade and into the early '70s, unions were found in practically all lines of work. The first labor council to be organized in the state, the "Trades Assembly" of San Francisco, was formed in the fall of 1863, and the first state federation of labor, the "Mechanics State Council," was organized about four years later. The unionists were uniformly successful in obtaining higher wages and shorter hours, the greater part of the skilled workers of the state enjoying the eight-hour day from about 1865 down into the early '70s.

In the realm of banking, slow, steady progress was made toward putting the banking affairs of the state upon a much more satisfactory basis. The period of the '60s, being one of unusual and continued prosperity, provided the proper setting for the establishment of a number of savings institutions. The first to be organized during this decade, the French Mutual Provident Savings and Loan Society (Société Française d'Épargnes et de Prévoyance Mutuelle), was incorporated on February 12, 1860, by a group of French residents of San Francisco and was located at 649 Sacramento Street. Its officials were J. Caire, president; N. Larco, vice president; and B. Davidson, treasurer.

This savings society was successful for a number of years and appealed not only to the French but also to the Italian population of San Francisco. It was finally forced to suspend on September 12, 1878, as a result of the defalcations of its manager, Gustave Mahé, whose peculations, extending over a period of six years, amounted to $316,285.75. A more detailed discussion of the failure of this once prosperous institution will be found in Chapter IX.

During 1860, I find for the first time mention being made in the San Francisco newspapers of Peck, Rodgers & Company, located at 86 Washington Street, and engaged in the sale of exchange, and of Barron & Company, dealers in exchange. In the fall of that year C. H. Reynolds, whom we noted previously in connection with the banking firm of Reynolds Brothers of Marysville, formed a partnership with Christian Reis and opened a bank at 118 Montgomery Street under the firm name of Reyn-

olds, Reis & Company. It closed in 1863, Reis becoming a director of the Pacific Accumulation Loan Company and Reynolds going into the real estate business. L. E. Ritter & Company, at 211 California Street, were listed as bankers by the San Francisco directory of 1860, and continued in the field until some time in 1864-65.

During the early years of this decade, although primarily an importing, exporting and merchandise house, W. T. Coleman & Company were also actively engaged in many phases of banking. On July 2, 1860, J. R. Rollinson and Cornelius Comstock retired from this last mentioned firm, their places being taken by Edward M. Robinson of Massachusetts. During this year, Belloc Frères (B. and J. B. Belloc) opened a banking house at 147 Clay Street. This partnership had previously been active in the importing field. It later moved to 524 Montgomery Street, where as Belloc & Company it continued until forced to close in March, 1890.

In the outlying territory, so far as is known, the only new firm established was the private banking house of W. & P. Nicholls at Dutch Flat. In later years the business was taken over by John Nicholls. It ceased operations April 28, 1913, owing to the State banking law having been amended to prohibit private banking.

With the outbreak of the Civil War in 1861 the Californians feared for the continued prosperity of their state. There was a temporary uneasiness at first, with a slight reserve at times, but for the most part capital was abundant and accessible with rates ranging from 1½ to 2 per cent per month for short bank loans, and from 1 to 1¼ per cent per month for long time loans secured by mortgages. As early as June 10, 1861, the San Francisco *Mercantile Gazette and Prices Current* declared that, "As a general remark it may be observed that indications of solid prosperity were perhaps never more abundant among us than at present." It commented upon the extensive and expensive improvements being made in San Francisco, the excellent manner in which the prices of real estate were being sustained, the surprising degree to which the manufacturing interests, though at that time on a moderate scale, were thriving and expanding, and the wonderful extent to which the mining and agricultural interests were showing continued signs of improvement.

In January, 1861, the Savings and Loan Society voted to

increase its capital stock from $500,000 to $5,000,000. On the third of that month the old firm of Alsop & Company notified the public that it had formally dissolved, but that a new partnership would continue the business under the old name, the resident partners being Charles S. Polhemus and Robert Burnett. Polhemus retired from the firm on August 30, 1864, his place being taken by Robert Ferguson.

On May 31, 1861, the California Building, Loan and Savings Society, also known as the California Building and Savings Bank, was incorporated, with a capital stock of $50,000. James Shields was its first president, although Thomas Mooney was its organizer, actual head, and first secretary. It operated successfully for a number of years. During the early period of its existence, its business grew by leaps and bounds. By 1866, its assets were approximately $500,000, and in 1867, they were announced as being about $1,000,000. This association was interested in making loans on "city real estate, houses, ships, factories and merchandise." It carried both commercial and savings accounts. At the close of 1863 it paid a dividend of 1¼ per cent per month on fixed capital, 1¼ per cent per month on savings accounts, and 1 per cent per month on commercial accounts. By December, 1867, however, the rate of dividends had decreased to 10 per cent per year on savings accounts, and 6 per cent on commercial accounts. In the meantime the capital stock of the company had been increased to $250,000. This association was forced to close its doors on September 13, 1870, under circumstances which will be detailed in Chapter IX.

In the outlying districts there were few developments of interest. From the records of the times, we learn that W. H. Ladd & Company were engaged in banking at Downieville. The directory of Nevada City and Grass Valley for 1861 contains the advertisement of George W. Kidd, Banker, located in "the granite building on Broad Street, Nevada City." He was an assayer as well as a banker, which was of course the rather customary practice of bankers in the mining districts. The firm of C. W. Mulford & Company, Bankers, was also located in Nevada City at that time "at their old stand on Main Street," buying gold dust, selling exchange and lending money. During this year A. Mierson established a private banking business at Placerville. It later became the banking house of Mierson & Jewell. In 1894-95 Jewell

undoubtedly withdrew, for the bank was again conducted under A. Mierson's name. On July 2, 1902, it was incorporated as the A. Mierson Banking Company, and on April 27, 1920, it became the El Dorado County Bank. It is still controlled by the family of the founder.

The San Francisco Accumulating Fund Association, the San Francisco Savings and Loan Society, and the French Mutual Provident Savings and Loan Society had all been incorporated under the law of April 14, 1853, which, as has been previously stated, was merely a general incorporation law passed for the purpose of providing for the formation of corporations established for "manufacturing, mining, mechanical or chemical purposes, or for the purpose of engaging in any species of trade or commerce, foreign or domestic." From the very first there had been some doubt regarding whether or not savings banks could be legally incorporated under that statute.

In the early months of the '60s the best legal talent in San Francisco was consulted in regard to the matter and finally rendered an opinion, which although in the negative, was not emphatically so. This immediately increased the already prevailing doubt regarding the position of these three savings banks and caused considerable worry and uncertainty for those who were actively and financially connected therewith. Some of the more serious aspects of the situation arose over the question as to whether or not under the circumstances the savings banks could legally pursue an action at law for the recovery of funds loaned, and whether or not they could legally give a valid title to any property which they sold after obtaining it through foreclosure proceedings.

The San Francisco Savings and Loan Society, which at that time had upwards of $2,000,000 of deposits, thereupon began quietly to see what could be done towards securing the enactment of a law which would satisfactorily provide for the incorporation and operation of savings banks in the state. This move on its part was misconstrued by the general public, which, for some unknown reason, surmised that the whole character, aim and purpose of the business of the institution in question was to be altered by law for some ulterior reason. A serious run ensued on this particular bank, which "threw it back nearly two years and would have broken it up altogether if it had not had considerable

stamina." Every demand on the part of the depositors was, however, fully and promptly met.

Mention has been made in earlier pages of the unsuccessful efforts of Assemblymen Cartter and Shepherd in 1856 and 1858 respectively to secure the enactment of banking legislation. Partly as the result of the agitation above referred to, Assemblyman F. A. Sawyer of San Francisco introduced another bill on February 9, 1860, entitled "An Act to authorize the formation of joint stock associations for savings, deposit and discount." It was read twice, referred to the Judiciary Committee and ordered printed, but it was never reported back for debate and passage. The *Alta California* on March 11, 1860, and in several of its subsequent issues commented unfavorably upon the proposed measure, its main objection being that,

> "* * * it really offers no security to deposits; but should we admit this evil, the next would propose banks of paper circulation; shin-plaster establishments; institutions of utter irresponsibility.
>
> "There is no saying, or predicting, when the door to abuse will be shut when once opened, and in this light we regard all banking affairs."

The Legislature of 1862, however, passed an act introduced in the Senate on February 13, by J. A. Banks of San Francisco, to provide for the formation of both stock and mutual savings banks. It was approved by the governor on April 11, 1862. This law permitted five or more persons to organize a savings bank corporation. Such an association was given the general powers of a corporation and was also allowed to loan and invest its funds (but not for a period longer than six years), to receive deposits, and to loan or invest the same with interest, provided all funds loaned were adequately secured by real or personal property. The board of directors was to consist of at least five members, all of whom were required to be residents of California and a majority also to be citizens of the United States. Each director was compelled to be a stockholder in the company, if it had capital stock, or to have at least $100 on deposit with the bank if it were an organization without capital stock.

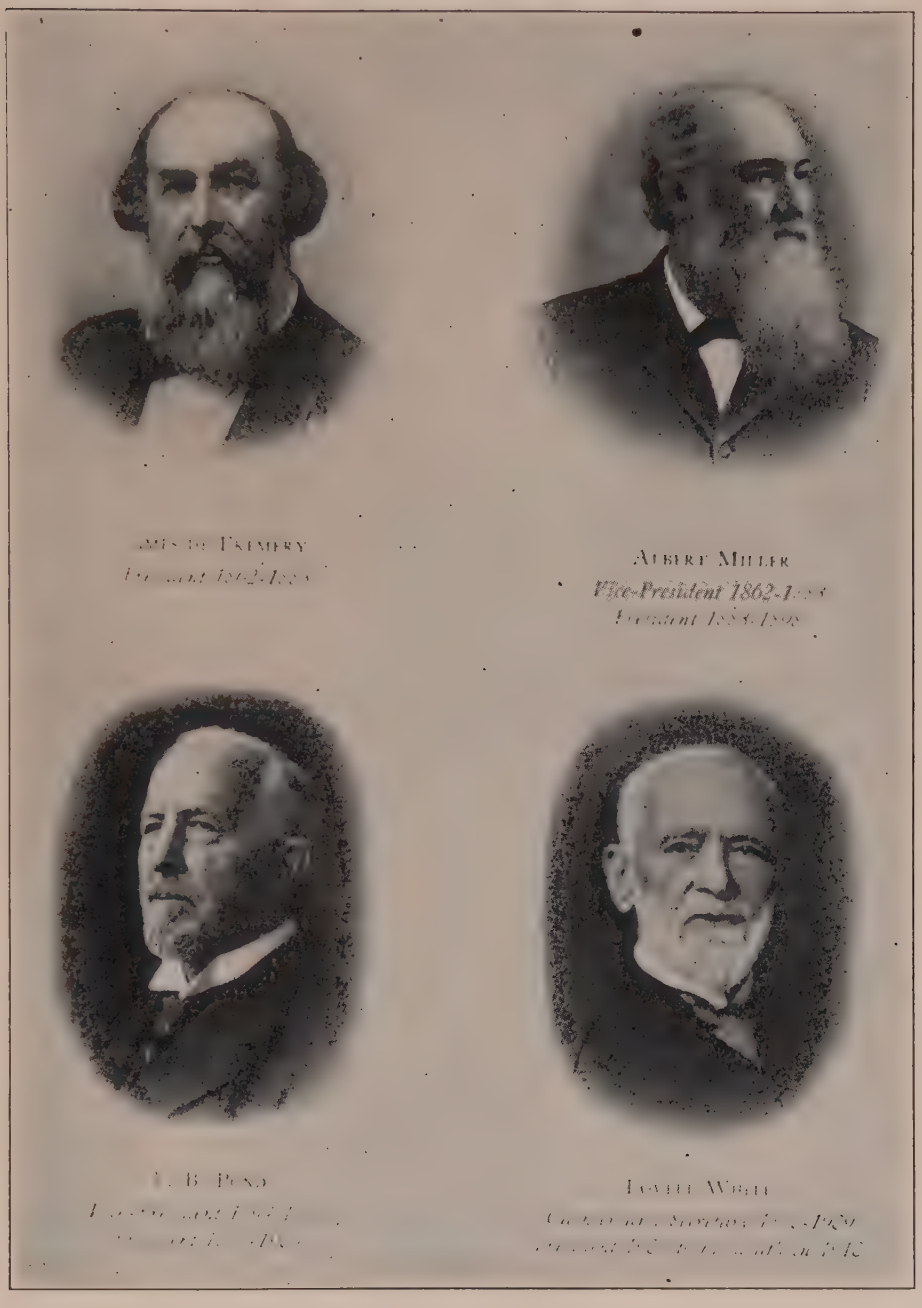
Mutual banks, before paying dividends, had to set aside 5 per cent of their net profits for a reserve fund, until such fund should amount to at least $100,000. No corporation formed

under the act was allowed to create or issue bills, notes, or other evidences of debt to circulate as money. The law also very specifically designated under what conditions banking corporations could legally purchase, hold and convey real and personal property. The law permitted a married woman to make deposits in her own name and to cast her own vote if she were a stockholder, or to appoint a proxy to vote for her provided no objection was made by her husband. Minors were allowed to make deposits with savings banks in their own name and to withdraw the same.

Corporations formed under the act were required to publish annually once a week for at least six successive weeks in a local newspaper a statement of all deposits unclaimed for two years or more. Savings banks organized under this measure were freed from all conflicting provisions contained in earlier legislation.

The measure was very liberal in its terms, and paved the way for the development of a much more satisfactory savings bank organization than California had previously had. The first institution to be incorporated under its terms was the San Francisco Savings Union, whose charter bore the date of June 18, 1862. Its first office was at 513 California Street, on the south side, above Montgomery. Of the men most active in its organization, who later served as its first officers, were James de Fremery, president; Albert Miller, vice president; and John Archbald, cashier. De Fremery had been a partner in the banking firm of Gildemeister & de Fremery, which, it will be remembered, was active from about 1850 to 1856. Albert Miller had been vice president of the San Francisco Accumulating Fund Association, which had been reorganized in 1857 as the San Francisco Savings and Loan Society. Archbald had also been connected with the latter institution as a member of its board of trustees.

The capital stock of the Savings Union was $100,000, divided into shares of $100. It advertised that it would receive deposits of amounts as small as $1, and that under no circumstances could an account exceed $6,000. Term deposits, or savings accounts, were to be received in sums of not less than $100 on condition that six months' notice of demand be given previous to their withdrawal. The Savings Union was successful from the start. It subsequently moved to 529 California Street, and in 1867, again moved to the northeast corner of California and Webb streets, where it remained until the great fire of 1906. It then erected its



EARLY OFFICERS OF THE SAN FRANCISCO SAVINGS UNION

own building at the corner of O'Farrell Street and Grant Avenue. In 1910, the Savings Union and the San Francisco Savings and Loan Society were merged as the Savings Union Bank of San Francisco. Subsequently the title was changed to the Savings Union Bank & Trust Company. The latter was merged in July, 1920, with the Mercantile Trust Company of California.

For many years the San Francisco Savings Union was known as "Lovell White's Bank" because of the long association of the latter with that institution. White was born in New England and came to California in 1859, becoming associated with the Bank of California at the request of W. C. Ralston. Until 1870, when he went to the Savings Union as its cashier, he acted as the confidential business representative of Mr. Ralston at all times. In March, 1909, White succeeded E. B. Pond as president of the Savings Union and remained in that position until his death on January 31, 1910, at the age of eighty-three. He was always held in the very highest esteem by the banks of the state, both as a man and as a financier. He was the third president of the California Bankers Association. As one of the outstanding authorities in the state on the operation of savings banks, he was continually called into consultation on every matter affecting their welfare. He acted as their representative on the Legislative Committee of the California Bankers Association when that body was interested in drafting the bill which later became the Bank Act of 1909. His passing occasioned widespread and sincere regret.

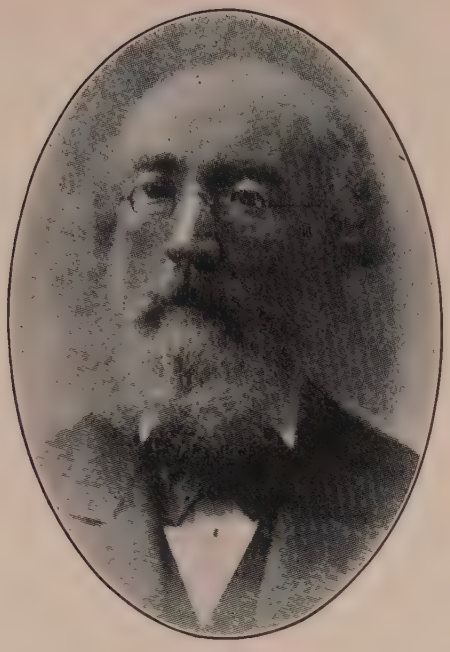
Outside of the incidents which have been mentioned above there were no changes in the banking situation in California during 1862. I find but one new firm advertising the sale of exchange, i. e., Hardeman & Company of San Francisco. It was during this year that George C. Hickox set himself up as a bullion and money broker at the corner of Montgomery and California streets. In 1863, he joined with John I. Spear, Jr., and continued in the same line of business at the corner of Sacramento and Montgomery streets until the later '60s, when the firm of Hickox & Spear advertised as "Bankers." The company ceased operating during the later years of the '70s.

In 1863, Howard & Sanchez, of Aurora, Mono County, advertised as bankers. I have no additional information regarding the date when that firm was established or when it ceased opera-

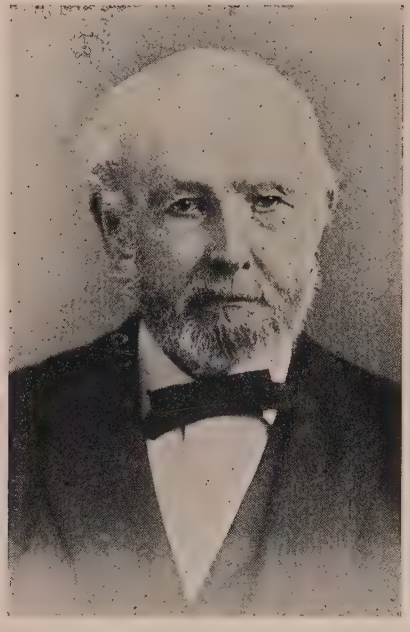
tions. Alfred Borel opened a private banking house in San Francisco some time in 1863 at the corner of Montgomery and Jackson streets. Some years later the firm became Borel & Company, which continued down into the '80s. The important event of this year was the organization in San Francisco of the Pacific Accumulation Loan Company on February 4, 1863, by Samuel Brannan and his associates. It was, in reality, the first incorporated commercial bank in California, and later, as the Pacific Bank, had a long and successful career until forced to close during the nation-wide panic of 1893. It started with a capital stock of $5,000,000, divided into $100 shares. Its first place of business was at 404 Montgomery Street.

In a pamphlet issued by its founders at the time of organization, the new firm was declared to be formed along the same lines as the Crédit Mobilier of France. Stockholders were to share not only in the profits derived from loans on the capital stock of the company, but also in the profits arising from its banking and exchange operations. Subscriptions were to be paid in installments of 2 per cent per month, thus permitting persons of small means to invest on very easy terms. The proposed scheme did not appeal to the people of San Francisco, and subscriptions to the capital stock were very slow in being made. The reason for this apparent apathy was the fact that the founders of this venture were desirous of establishing a banking house that would be conservative in all its arrangements and devoted primarily to the mercantile interests of the community. San Francisco was at that time in the midst of a speculative mining stock flurry. Almost every person, young or old, rich or poor, was interested in the fluctuations of the market. It was the intention of the "ultra conservative capitalists," who were associated with Brannan, to give the city an institution that "should be conducted in a strictly legitimate and solid manner, that would refuse all mining stock as collateral and all credit to mining brokers, and should discourage opening any account with those concerned in speculative stocks of whatever nature."

After several months of disheartening effort at attempting to secure the needed support, Brannan resigned the presidency of the organization, and on June 3, Peter H. Burnett, the first governor of the State, was selected to fill the vacancy. Burnett was born in 1807 at Nashville, Tennessee. When but ten years of age



JOHN ARCHBALD
First Cashier, San Francisco Savings Union, 1862-70



PETER H. BURNETT
California's First Governor, and President of the Pacific Bank

his parents moved to Missouri to settle on some frontier lands. When he was nineteen years old he returned to Tennessee, where he became a hotel clerk, serving occasionally as waiter and hostler. He later worked in a country store, got married, opened a store of his own, went bankrupt, returned to Missouri where he opened up another store in partnership with a friend, and again failed in business. He then tried his hand at editing a newspaper, made political speeches, studied law and when thirty-two years of age opened up an office as an attorney. In 1843, he journeyed across the continent with his family and settled in the Willamette Valley, Oregon, where with others, who were penniless, he started to carve out a competence for himself. It is said that he was so poor that he had to go barefooted while engaged in his daily tasks.

The provisional government of Oregon having been organized in 1843, his legal attainments brought him to the front and he was chosen judge of the Supreme Court in 1845. In 1848, he learned of the discovery of gold in California, and in November of that year was washing the yellow metal from the sands on the banks of the Yuba River. After a month of working in the placers he moved to Sacramento, where he opened an office as an attorney and was immediately engaged by Sutter to take charge of the sale of his lands. He made a considerable income from the latter commission, and by the middle of August, 1849, was able to pay off his obligations in Missouri and to have a handsome profit left.

The Sacramento *Placer Times* of August 1, 1849, carried an advertisement announcing that Peter H. Burnett and John P. Rogers (a brother-in-law) were "Exchange brokers, agents for the collection of debts and the sale of real estate." I have been unable to ascertain how long this partnership continued. Burnett later moved to San Francisco and then to San Jose. On November 13, 1849, he was elected the first governor of California, but resigned after serving only a part of his term in order to return to the practice of law. In 1857, he was made a chief justice of the Supreme Court of California, which office he held for about two years.

According to his own statements published in his "Recollections and Opinions of an Old Pioneer,"[2] Burnett had by this time concluded that he would like to go into the banking business. He

[2] New York, 1880, p. 407-8.

states, "I had not capital enough to engage in the business alone, and I could find no one desirous of going into it who could put up the same amount that I could. Being determined not to endanger the competence I had already acquired, so far as I could reasonably avoid it, I had to bide my time." In the spring of 1863 some of the officers of the Pacific Accumulation Loan Company consulted him in regard to certain legal aspects of the by-laws of that organization. Burnett evidenced an interest in its affairs, and, as noted above, he was on June 3, 1863, advised that he had been chosen president to succeed Samuel Brannan. The other officers of the bank were George F. Bragg, vice president; Mark Brumagim, cashier; and Samuel Brannan, treasurer. Samuel J. Hensley, one of the early bankers of Sacramento, and Christian Reis, who in 1860 had opened a banking house in San Francisco in partnership with C. H. Reynolds, were among the prominent men who constituted its board of directors.

Upon assuming his new duties Burnett insisted that there were several serious defects in the charter and by-laws which needed to be removed. He did not like the name of the company, its capital was too large, and the requirement that payments of capital stock should be made in monthly installments not exceeding 2 per cent was objectionable because it would require fifty months in which to collect the subscribed capital. The capital stock was later reduced to $1,000,000. Burnett and a few of his friends subscribed heavily, but some of those who had been the original incorporators either refused to subscribe or subscribed for only very small amounts.

Burnett tried for three months to obtain the needed funds but met with small success. Brannan insisted that the enterprise should go ahead and largely increased his subscription as did several others. The bank was opened up on October 8, 1863, with a subscribed capital stock of $700,000. The prospects looked most discouraging, especially inasmuch as it would require fifty months to call in the remaining stock subscriptions. As Burnett says, "It was a small beginning, and a long slow rise, but we did not flinch or falter. * * * Our officers gave their services without compensation for the first fifteen months." But at the close of 1863 the directors were able to declare their first dividends. In 1864, dividends were paid at the rate of 2 per cent a month,

in 1865, at the rate of 1½ per cent per month, and in 1866, at the rate of 1 1/15 per cent per month.

The act of April 11, 1862, had prohibited loans by savings banks except when secured by adequate personal or real property. In the spring of 1864 the officers of the Pacific Accumulation Loan Company were able to bring considerable pressure to bear upon the Legislature to induce it to amend the law on March 12, 1864, so that any savings corporation, having a paid in capital stock, reserve fund, or both, of $300,000 or more, could make loans without requiring personal or real property as security, provided its by-laws were accordingly framed and adopted by at least a two-thirds vote of the stockholders, and also provided such loans were ordered by at least a three-fourths vote of all the directors of the bank. This company was the only one affected at that time by the terms of the amendment. Two years later, March 31, 1866, the name of the firm was changed by an act of the Legislature to "The Pacific Bank."

During the summer and fall of 1866 the bank sustained losses to such an extent as to compel it to suspend dividends for fifteen months. Thereafter, until September 1, 1871, when the bank again suspended dividends, the rate of dividends remained at 1 per cent per month. Dividends were again resumed in January, 1877. Burnett died in San Francisco, May 17, 1895. He had been succeeded as president of the bank by Dr. R. H. McDonald in 1880, who remained its chief executive until its failure on June 22, 1893. Under the latter's administration the bank became a family institution, the vice president being R. H. McDonald, Jr., the cashier, Capt. J. M. McDonald, and one of the directors, F. V. McDonald. Eldredge claims that its ruin was caused "by the mismanagement of the two sons of the president."[3] We shall have more to do with the subsequent history of this bank in succeeding chapters.

During the Civil War period California was the only state to remain upon a gold basis, and thus escape the difficulties faced by all other sections of the United States resulting from the depreciation of the greenbacks. California thus offered an attractive field for the investment of outside capital, and funds flowed into the state in large amounts. The *Mercantile Gazette and Prices Cur-*

[3] Op. cit., p. 432.

rent in its issue of August 17, 1865, declared that the accumulation of money in San Francisco was undoubtedly greater than at any time in the history of California. It was this fact that caused the Bank of California to announce in the following October that its rate of discount would henceforth be reduced to 1 per cent per month on first class business paper or other satisfactory collateral. Not only did eastern capitalists seek to invest their funds in California, but many foreigners did likewise because of the desire to avoid the uncertainties and fluctuating returns which characterized the eastern communities operating under the depreciated paper money standard then in effect.

Foreign bankers also became interested in the situation as affording an opportunity for a satisfactory and safe return, and during the '60s some of them took steps to establish branches or agencies in San Francisco. The first to do so was the Commercial Bank of India, an English company, established in 1845 with its head office at Bombay and with a capital stock of £500,000. Its local agency was opened by Richard Newby on December 7, 1863, at 412 California Street. In its original announcement of policy, the bank advised the public that it would pay no interest on checking or commercial accounts, which was decidedly a new departure in San Francisco banking practice, but that it would pay 6 per cent on four months' deposits, 8 per cent on six months' deposits, 9 per cent on nine months' deposits, and 10 per cent on twelve months' deposits. This banking firm withdrew from San Francisco in 1866.

The second English agency was established in the spring of 1864. On March 2 of that year, the local newspapers carried various items to the effect that a new banking company was being organized in England with a capital of £2,000,000 to operate primarily in California and Nevada. The capital was later fixed at £1,000,000. On April 7, an advertisement appeared announcing the formation of the British & California Banking Company, Ltd., with head offices in London. And, about May 21, a final announcement was made that the company had taken over the banking and exchange business of the long established firm of Faulkner, Bell & Company, the latter to continue as insurance agents and commission merchants. By October 15, 1864, the British & California Banking Company was open for business at 415 Montgomery Street. On December 12, it moved to 424 Cali-

fornia Street. Henry Babcock, who had been in the banking department of Wells, Fargo & Company, was its resident manager, with S. Ireland as assistant manager. It, like its predecessor, voluntarily liquidated in 1866.

In June, 1864, representatives of the Bank of British North America arrived in San Francisco to investigate the advisability of opening a branch office. It was subsequently established at 410 Montgomery Street, later moving to 411 California Street. It was at first under the management of F. H. Grain and W. S. Sutherland. The latter was succeeded in a short time by Thomas Menzies. The bank had been chartered in 1840, with its head office in London and with a capital stock of £1,000,000. It had established some branches prior to entering the California field. During the many years of its successful career, it carried on a general deposit and commercial banking business, claiming as its clients many of the leading business men and firms not only of San Francisco, but also of the state at large. It voluntarily liquidated on December 31, 1918. A few months earlier, its manager and some of its staff had become associated with the British-American Bank, incorporated June 29, 1918.

The fourth British banking agency to be opened in San Francisco in 1864 was that of the Bank of British Columbia. This house had been chartered by the English government in April, 1862, and had a capital of approximately £300,000. Its local office at 412 California Street was managed during the early years by James D. Walker, assisted by William H. Tillinghast, who later succeeded him. Other agencies of the bank were located in Oregon and British Columbia. It operated successfully until January 1, 1901, when the mother bank and its branches were merged with the Canadian Bank of Commerce. During the first thirty years of its existence, the San Francisco branch of the Bank of British Columbia was one of the three outstanding banks in California.

The last English banking house to enter the local field during the decade of the '60s was the London & San Francisco Bank, Ltd., popularly known as "Latham's Bank," with a capital stock of £1,000,000, only £200,000 of which was paid in. It was owned exclusively by ten English and German banking companies, and by one Manila house, under an agreement prohibiting any one of the incorporators from selling its interest or from obtaining

an additional interest in the firm without the unanimous consent of the others. It had an agency in New York and one in San Francisco. The latter, located at 412 Montgomery Street, was at first under the management of Milton S. Latham, who was characterized by the San Francisco *Mercantile Gazette and Prices Current* of June 16, 1865, as "a gentleman of well known intelligence and high standing."

Latham, for many years thereafter a prominent figure in San Francisco banking circles, was born at Columbus, Ohio, May 23, 1827. He came to California in the winter of 1849-50, and almost immediately became an office holder, serving as a clerk in the Recorder's Court of San Francisco, then as district attorney of Sacramento County, and later as district attorney of El Dorado County. He was elected to Congress in 1852. In 1855, he was appointed Collector of the Port of San Francisco, and in 1859, was elected governor of the State. He served but a portion of his term, being sent to the United States Senate, to succeed David C. Broderick, in March, 1861. He remained in the Senate until March, 1863. Two years later he opened the San Francisco agency of the London & San Francisco Banking Company, Ltd. He went to New York in 1879, where he was elected president of the New York Mining and Stock Exchange. He died March 4, 1882.

In 1871, the London & San Francisco Bank, Ltd., absorbed the firm of John Parrott & Company, and after many years of success, it and its branches at Portland, Tacoma, and Seattle were purchased by the Bank of California, in February, 1905. It had been a powerful influence in the development of the agriculture and industries of the Great Northwest through the activities of its northern agencies. The bank was most conservatively managed, but was unable to compete to advantage with the other San Francisco banks in later years. The latter could decide on matters of importance almost immediately, while the London & San Francisco Bank, Ltd., had to refer all large deals to London for approval before action could be had thereon by the local institution.

The five representatives of the British banking interests in San Francisco were not concerned with banking operations along lines similar to those which had been followed for the most part by the California bankers. Instead, they devoted themselves pri-

marily to the purchase and shipment of bullion, to making advances on securities, merchandise and on shipments of gold and silver, and to the issuance of letters of credit. The *Evening Bulletin* of October 12, 1864, stated that at that time they were confining themselves to the purchase of bullion for shipment to oriental markets to be paid for out of the proceeds of bills of exchange which they sold on London. It complained that the rates on sterling offered by the British agencies were so low as to make it impossible for other local bankers to compete successfully in that kind of business. It went on to state that so far as California was concerned, "Little benefit has been experienced in our fiscal matters thus far by the opening of these agencies, but it may be hoped that after a brief lapse of time, the many inducements which our market offers for profitable investment may be appreciated and availed of and our material interests thus improved by their advent among us." As has already been noted in the preceding pages, the expressed hope of the *Evening Bulletin* was more than realized as the years passed, because of the great service rendered California industries by several of these British banking agencies, which continued in operation for many years thereafter.

During 1864, the most notable events in the financial circles of San Francisco were the dissolution of the firm of Donohoe, Ralston & Company, which occurred on June 13, the subsequent organization of Donohoe, Kelly & Company, which began business on July 1, and the establishment of the Bank of California, which opened on July 5, all of which has been discussed in the preceding chapter. The advent of the highly capitalized ($2,000,000 paid-up capital stock) Bank of California marked a new era in the banking circles of the state. The *Mercantile Gazette and Prices Current* on June 22, 1864, regarded the entry of the new bank as probably portending the "beginning of a new order of things in the fiscal matters on this coast." It went on to say that,

"We have incorporated institutions for savings and accumulation, which have done and are still doing very important service in the concentration and utilization of the surplus capital of individuals which would otherwise be unemployed and of no public benefit, if not wasted. * * * But the sphere of these most useful and excellent organizations is more appropriately with our thrifty and industrious laboring classes whose earnings

they receive and invest with great advantage, both to the public and their own constituency. The Bank of California, however, is of a totally different character. Organized for general Banking purposes from the outset, its capital contributed by men of wealth, its business relations enlarged and comprehensive, and its adaptability to commercial requirements fully equal to that of first-class Banking Institutions in any part of the world. We are thus special in our notice of it because it is a new thing—not indeed new elsewhere, but new here; it introduces a new feature into our financial affairs, and if successful, or in other words, profitable, is but the type of others which will follow in due course."

Almost from the very first day, the Bank of California assumed the leadership in the financial world, not only in California and on the Pacific Coast, but also in all that territory lying to the west of the Rocky Mountains. Its original stockholders and directors embraced the most prominent and outstanding capitalists of the community. Its first board of directors was made up of the following men: D. O. Mills, Louis McLane, William Norris, John O. Earle, Herman Michels, J. B. Thomas, Thomas Bell, A. J. Pope, O. F. Griffin, James Whitney, Jr., and W. C. Ralston. D. O. Mills was president, and W. C. Ralston, cashier. It had as its president "the oldest and strongest banker on the coast, * * * and its cashier was considered a marvel of ability, and the ablest financier in California. Throughout the entire establishment the same excellence of appointment was followed. The best of tellers, accountants, exchange experts, and clerks were employed at high salaries. It was an honor to occupy a position in the Bank of California. * * * The greater mercantile, manufacturing, and business houses at once enrolled themselves among its patrons and supporters, and it was with pride that men spoke of their connection with the Bank of California."[4] On September 6, 1864, it opened an agency at Virginia City, with William Sharon in charge. On May 9, 1865, it succeeded to the business of A. B. Paul & Company at Gold Hill, California. On February 9, 1869, it established agencies at Treasure City under the direction of John A. Paxton, who had previously been a banker in Marysville; at Hamilton, with Lovell White, later a prominent San Francisco banker, in charge; and at White Pine District. So successfully did it operate that at a

[4] Eldredge, op. cit., p. 435.

THE BANK OF CALIFORNIA, SAN FRANCISCO, ERECTED 1866
(Cross indicates early home of London and San Francisco Bank, Ltd.)

INTERIOR OF BANK OF CALIFORNIA, SAN FRANCISCO, 1878

meeting of the stockholders on May 5, 1866, it was voted to increase its capital stock to $5,000,000, effective on July 1 of that year.

During the first two years it accumulated a surplus of $300,000, earned $1,000,000 net profits, and paid dividends at the rate of 1 per cent per month to its stockholders. It continued to pay dividends at that rate for many years thereafter. On June 26, 1867, it moved from its previous location at Washington and Battery streets into a magnificent new building on the northwest corner of California and Sansome streets, its present location, which building had been erected at a cost of approximately a quarter of a million dollars. Its new quarters were described as being superior to anything to be found at that time housing similar institutions in New York City. The story of its subsequent history will be presented in later chapters.

Affairs in the banking world of San Francisco remained very quiet during 1865. So far as I have been able to ascertain, there was but one new banking venture, that of Janin & Watkins, which began operations during the latter part of the year, of which the newspapers of the time give no additional information. In the outlying districts, however, several new firms were organized. J. M. Miner was engaged in banking in Todd's Valley during that year. In 1866, the firm became Moore, Miner & Company and was listed as having offices at Todd's Valley, Meadow Lake, Gold Run and Dutch Flat. Hall & Allen were also operating at Dutch Flat and at Auburn in 1865. Thomas Findley & Company, Bankers, appear for the first time in the Grass Valley directory of 1865.

About this time Petaluma experienced a slight boom, with the result that two banks were established. The first was the firm of I. G. Wickersham & Company, organized in February, 1865, with I. G. Wickersham as president, and E. Sprague as cashier. Sprague was succeeded by H. H. Atwater on April 1, 1866. This bank was the first to be established in Sonoma County. Wickersham had arrived in Petaluma in 1853. He was a lawyer by profession and in 1855 had been elected district attorney of the county. The bank was located at the corner of Main and Washington streets. On September 23, 1874, it became the First National Gold Bank of Petaluma, with a paid-up capital of $200,000. It gave up its national charter and became

the Wickersham Banking Company on September 11, 1894. This banking house was sold to the Swiss-American Bank of Petaluma, May 1, 1910.

The second bank to enter the lists in Petaluma was the Bank of Sonoma County, established May 10, 1866, at the northwest corner of Main and Washington streets. It had a capital stock of $100,000 at the time of its incorporation, but this was increased to $300,000 in 1877. William Hill was its first president, and Eli Sprague its first cashier. Owing to ill health, Mr. Sprague retired in March, 1868, and was succeeded by J. S. Van Doren. The Bank of Sonoma County became the Sonoma County National Bank, January 11, 1911.

There has never been a time in the history of the financial development of California when the savings banks were so important and when proportionately so many were established as was the case during the middle and closing years of the '60s. The *Alta California* of June 23, 1866, made the interesting comment that, "There are more depositors than voters in our city, and many of the depositors are persons who reside in the interior towns and in the country. They find greater security and profit for their money in these savings banks than in any other mode of investment or use." In the same article, it presented the following table showing the number of depositors and the extent of the deposits of the San Francisco savings institutions:

	Deposits	Depositors
Hibernia Savings & Loan	$3,500,000	7,000
French Mutual Provident Savings & Loan Society	2,000,000	7,000
Savings & Loan Society	2,000,000	7,000
California Building & Savings Bank	400,000	1,800
Savings Union	750,000	1,750
Totals	$8,650,000	24,550

At that time the savings banks were protesting most vigorously against the decision of the city and county assessor to compel them to pay taxes on their deposits. They maintained that the deposits did not belong to them, but to their depositors, and that there was no reason, legal or otherwise, why they should be compelled to pay the taxes thereon. The board of equalization, however, ruled against them, and the taxes had to be paid.

The only savings institution to be added to the above list in 1866 was the Odd Fellows Savings Bank of San Francisco, a mutual organization, chartered October 13, 1866. It was subsequently incorporated August 7, 1878, with a subscribed capital stock of $250,000, of which $117,600 was paid up. The preliminary steps in the formation of this bank were taken at a largely attended meeting of the members of the Odd Fellows lodges on September 12, 1866. At a subsequent meeting the organization was launched, with H. B. Brooks, president; David Meeker, vice president; and James Benson, secretary. Its by-laws provided for the receipt of deposits of not less than $1. Two kinds of deposits were to be held, "ordinary," which were payable on demand, and "term," which could be withdrawn only on a six months' notice.

Dividends were payable on deposits only after they had been left with the bank for three months. Dividends on ordinary or commercial deposits were payable at a rate one-sixth less than that paid on term or savings deposits. After operating for about four months the deposits of the bank were only $45,000, but by October 19, 1878, a short time before it closed its doors, they had increased to $2,614,753. During its lifetime it paid to depositors dividends aggregating $3,558,750, at an average rate of 10 per cent per year. The story of the events leading up to its forced closing by the State Bank Commissioners on February 5, 1879, will be presented in Chapter IX.

On June 20, 1867, the Farmers & Mechanics Savings Bank was organized in San Francisco, and on July 1 it formally opened for business at the corner of Sansome and California streets. Its capital stock was placed at $150,000. The bank accepted two kinds of deposits, "commercial" and "savings," or, as it called the latter, "dividend deposits." N. C. Fassett was its first president and G. H. Wheeler, its first cashier. This savings institution never assumed a place of prominence among the banking houses of San Francisco. At the time of its forced liquidation in the fall of 1878, as a result of the findings of the State Bank Commissioners, it had only $376,959 in deposits. It paid 70 per cent of its claims.

The City Bank of Savings, Loan & Discount was organized in San Francisco during the early days of October, 1867. It opened for business January 15, 1868, at 626 Sacramento Street,

with a capital stock of $750,000. H. A. Cobb was its president, and Daniel Murphy its cashier. Although it advertised as a savings bank, and although its title would lead one to believe that such was the case, it never published reports of its financial condition as did the other savings banks of the period. It failed in November, 1870.

Trust companies were very late in entering the financial realm of California. All trust affairs before 1867 had been taken care of by individuals and by private banks, but on December 4 of that year, the California Trust Company of San Francisco was organized, with a capital stock of $1,000,000, to

"safely and profitably loan and invest its capital and assets; to receive money from corporations, trustees, agents and individuals on deposit, for such time and at such rates of interest as may be agreed upon; to receive on special deposit, bullion, jewelry, plate, stocks, legal papers and valuable articles, and charge for the safe keeping of the same; to act as agent for governments, corporations, foreign capitalists and individuals, in the investment of funds, purchase and sale of real estate, stocks and other securities, the collection and payment of notes, drafts, interest, dividends, rents, and other claims, and in the care of property; to act as trustee, by its officers, for corporations, absentees, married women, minor heirs and individuals, in holding real and personal estate, in mortgages, trust deeds, wills and other annuities, and for other purposes to act as receiver, by its officers, in cases of litigation, of money paid into courts, of assets belonging to estates, and of funds waiting disposition; and to transact any business that may properly be done by a loan, trust, safe deposit, financial agency or banking company."[5]

Shortly after opening for the transaction of business at 421 California Street, it announced that it would pay the following rates of interest: On deposits payable on call, 6 per cent per year; on deposits payable three months after date, 7 per cent per year; on deposits payable six months after date, 8 per cent per year; and on deposits payable one year after date, 9 per cent per year, while on desirable accounts subject to check at sight, 5 per cent per year would be paid on an average daily balance. Its first officers were Henry L. Davis, president; DeWitt C. Thompson, cashier; and Thomas B. Ludlum, auditor. Davis was born in Newport, R. I., in 1827, and arrived in California in 1850. He was one of the outstanding merchants of the city and also served

[5] *Alta California*, October 24, 1867.

four years as sheriff. He remained president until November, 1875, being succeeded by M. Lynch, and later by C. H. Burton. He was called back to head the institution from 1879 to 1885 while it was being liquidated.

The California Trust Company was finally incorporated in January, 1868. Its authorized capital was $1,000,000, but only $12,500 had been paid in at the time it opened its doors to the public. At the close of 1869 this had been increased to $250,000, and later to $500,000. Starting in January, 1869, dividends were paid for some time at the rate of 1¼ per cent per month. In May, 1872, it reorganized under a national charter as the National Gold Bank & Trust Company, still retaining its authorized capital stock of $1,000,000. To make this amount fully paid up, it called in $300,000 of new money and capitalized its surplus of $200,000, which, together with the $500,000 capital stock paid into the old company, gave it the required sum.

It is evident from the above that the stockholders received fully paid-up stock at an actual cost of only $60 per share. From 1872 to 1875 dividends were declared at the rate of 1 per cent per month. The National Gold Bank & Trust Company was caught in the financial panic which followed the failure of the Bank of California in August, 1875, and temporarily closed its doors. It resumed operations in June, 1876. In March, 1875, the bank had resources of over $6,000,000. When it reopened in June, 1876, that sum had dwindled to $1,363,400. At the same time the bank reduced its capital stock to $750,000.

In 1878 dividends were paid at the rate of 9 per cent per year, although dropping to 8 per cent in January, 1879. Previous to its suspension, the institution had occupied a very strong position in the financial affairs of the community. After its resumption in 1876, it found it impossible to regain the confidence of the people, and on September 1, 1879, its stockholders voted to liquidate its affairs. Depositors and even stockholders were paid in full.

During the latter part of 1867 and the early part of 1868, the firm of J. & W. Seligman & Company first began to appear among the lists of banks and bankers in San Francisco. This company had for many years been engaged in the merchandising business in San Francisco. It was also an importing and exporting company and was especially active in the shipment

of gold, its head office being located in New York. As the years passed, banking activities absorbed more and more of its attention, and in April, 1873, it was incorporated as the Anglo-Californian Bank, Ltd., an English corporation, with a capital of £300,000.

Ignatz Steinhart and R. G. Sneath were the first joint managers. Frederick F. Low, formerly governor of California, succeeded Sneath, and was in turn succeeded in 1891 by P. N. Lilienthal, who served until his death in 1908. Steinhart acted as senior executive from 1873 to 1909, when the Anglo-Californian Bank, Ltd., was merged with the London-Paris National Bank, and continued to serve as a director of the merged institution, the Anglo & London Paris National Bank, until his death in 1917. The Anglo-Californian Bank, Ltd., became one of the strongest financial houses in San Francisco, having total assets in excess of $12,000,000 at the time of the merger.

Among the exchange dealers advertising in the San Francisco newspapers in 1868, two new names appear, viz., J. O'Hara Taaffee, and the Freeman Smith Company. On February 10, 1868, a number of the influential German citizens of San Francisco incorporated the German Savings & Loan Society, with C. F. Mebius, president, and G. Wetzlar, secretary. Its capital stock was fixed at $200,000. The office of the new bank was at 513 California Street. Mebius was succeeded by L. Gottig, one of the members of the original board of directors, who served as the guiding genius of the institution from 1868 to 1893. Gottig was a man of great force of character and was possessed of unusual ability to manage the affairs of the bank. He was born in Flensburg, a town of Schleswig-Holstein, Prussia, and migrated to the United States in 1851. He made his way to California, where he engaged in merchandising at Gibsonville, Sierra County. Later he became an agent for the Pacific Mail Steamship Company at Benicia. He died November 10, 1893.

The German Savings & Loan Society had a long and successful career. It was one of the first banks to loan money for rebuilding purposes after the disastrous earthquake and fire of 1906. When the United States entered the World War the directors of the bank petitioned the Superior Court of San Francisco for permission to change its name to "The San Francisco Savings & Loan Society", because they were of the opinion that it was not

"consistent with its full duty to the United States of America for it longer to maintain a corporate name associated with the name of a foreign nation with which the United States of America is at war." During the three Liberty Loan campaigns the bank invested $5,000,000 of its own funds in United States war bonds and assisted its depositors in purchasing additional amounts.

The change in the name, authorized on July 20, 1918, was opposed by the San Francisco Savings Union, which brought suit to prevent the use of the three words "San Francisco Savings," because it felt that confusion would result from the similarity of names, and also, because having been the first bank to use those words, it had a prior claim thereto. The court, however, decided against the San Francisco Savings Union. On December 30, 1924, the San Francisco Savings & Loan Society again petitioned for a change of name, and was permitted to adopt its present title, "The San Francisco Bank." It now operates four branches, all of which are located in San Francisco. On July 1, 1868, it had only 382 depositors and $158,557 in deposits. On June 30, 1926, it had a capital of $1,000,000, a surplus of $3,300,000, and total deposits of over $103,000,000.

During 1869 three savings banks were established in San Francisco, two of which (the Masonic Savings & Loan Bank, and the Pioneer Bank of Savings) failed before ten years had elapsed, while the third (the Humboldt Savings & Loan Society) has continued down to the present time, and during the intervening years has remained one of the soundest financial houses in San Francisco. The Pioneer Bank of Savings, sometimes known as the "Pioneer Land and Loan Association," the "Pioneer Land and Loan Bank of Savings," or the "Pioneer Bank of Savings and Deposit," but more commonly as "Duncan's Bank," was established at 405 California Street in April, 1869, with a capital stock of $1,000,000. Dividends at the rate of 1 per cent per month were guaranteed investors. The officers were Thomas Gray, president, and J. C. Duncan, secretary.

Joseph C. Duncan arrived in San Francisco in 1850. He had been born in Philadelphia and later removed to Illinois, where he edited one of the early literary magazines. In 1848, he went to New Orleans, where he was one of the editors of the *New Orleans Crescent*, a daily paper of that city. He came to San Francisco in 1850 as a printer. The fire of 1851 destroyed his printing press

and for some years thereafter he was an auctioneer. From 1856 to 1861, he was the proprietor and editor of the *Daily Globe* and the *California Home Journal* of San Francisco.

Being a man very much in touch with the business affairs of the city, Duncan realized the profits that could be made by engaging in banking, and consequently organized the Pioneer Bank of Savings and Deposit. One is rather led to believe that the bank at first made no great appeal to the people of San Francisco and that it was in a very precarious condition for many years after being organized, because no mention of its financial status is found among the early statements published semi-annually by the savings banks of San Francisco. However, by 1875, it began to take its place before the public, and on July 1 of that year was credited with having 2,885 depositors and $1,108,604 in deposits. This placed it eighth in the number of depositors and ninth in the amount of deposits among the thirteen San Francisco savings banks then in operation. It also paid 12 per cent dividends on savings accounts at that time, while other banks were paying 10 per cent or less.

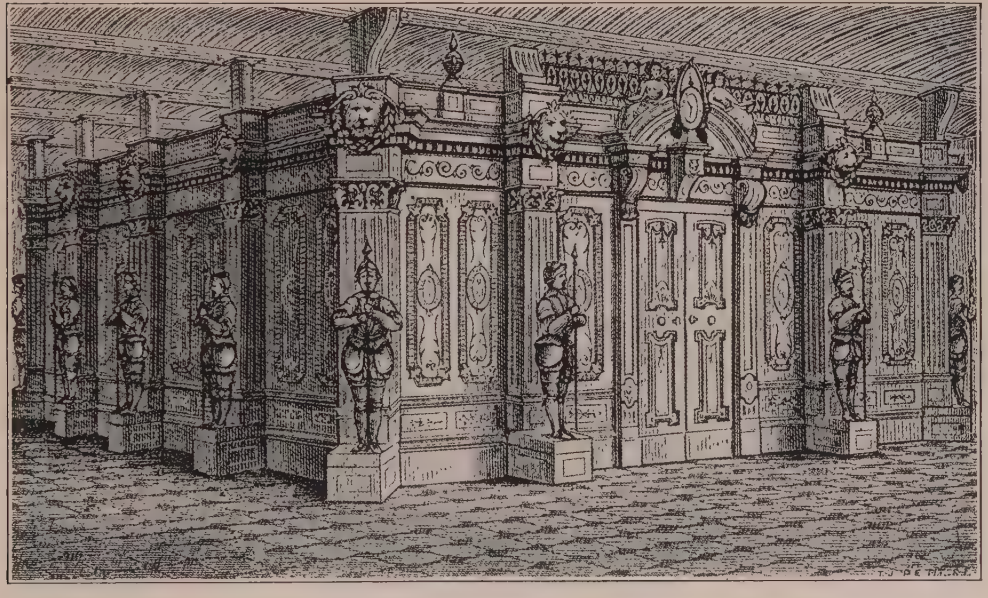
In 1874, Duncan also organized the Safe Deposit Company of San Francisco, which erected its own office building at the southeast corner of California and Montgomery streets. It was said to have been the handsomest building in San Francisco at that time, valued at approximately $2,000,000. The Safe Deposit Company of San Francisco was incorporated to act as a depository for treasure, money, valuables, etc. No other bank in the city specialized in providing such accommodations to the public. It is interesting to note, however, that it was actually preceded in this sort of service by another firm, Green, Heath & Allen, which in 1855 advertised in one of the local papers as follows:

"Special deposit of money, cash boxes, valuable papers, etc., will be received by the undersigned for safe keeping and placed in their bank vault in the building lately occupied by Messrs. Burgoyne & Co. at the corner of Washington and Battery Sts. The vault is thorough in every respect, has double iron doors, and is secured by Hobbs patent locks.

$2 per month for cash boxes
$1 per month for valuable papers
½% per month for money." [6]

[6] *Daily Herald*, April 7, 1855.

HOME OF THE SAFE DEPOSIT COMPANY OF
SAN FRANCISCO



FRONT VIEW OF THE GREAT VAULT OF THE SAFE DEPOSIT COMPANY
OF SAN FRANCISCO

The papers of the time make no mention as to whether or not this early venture of Green, Heath & Allen in an uncharted territory was a success. The Safe Deposit Company of San Francisco must have felt that there was a real need for such an institution in the community, for it started out on a rather grand scale. One of the contemporary writers declared that the great vault room of the company was "one of the wonderful features of the city, and visited by every stranger." It contained 4,600 boxes of various sizes. Duncan was content to remain in the background and to hold no office in this latter organization. Instead, he prevailed upon Eugene Casserly, a local lawyer of prominence, to act as president, J. W. Raymond as vice president and manager, and B. F. LeWarne, Duncan's son-in-law, as secretary. We shall have more to do with the close connection existing between the Pioneer Bank and the Safe Deposit Company of San Francisco when the story of the failure of both of these concerns in October, 1877, is presented in Chapter IX.

The Masons were not to be outdone by the Odd Fellows in believing that they could operate a bank to care for the funds of their members, so they incorporated the Masonic Savings and Loan Bank on November 4, 1867. The bank was located in the Masonic Temple at 6 Post Street, and was incorporated with a capital stock of $150,000. Its first officers were L. E. Pratt, president, and George Robins, secretary. It grew very slowly at first, and on June 30, 1871, was credited with having only 651 depositors and $301,571 in deposits. On June 30, 1877, it reported 5,157 depositors and deposits of $1,637,918. It made some very unfortunate investments and was forced into liquidation by the State Bank Commissioners on August 23, 1878.

The Humboldt Savings and Loan Society of San Francisco was incorporated November 24, 1869, and opened its office at 8 Kearney Street. The *Alta California* of December 2, 1869, in commenting upon that latest addition to the local banking family, declared that, "Now that the general public have begun a general hauling in of horns in the matter of speculation, the time could not be more propitious for the foundation of another savings and loan society; and no bank has been recently started in this city whose managers bear a better reputation as to solid wealth, business capacity and integrity." Adolph C. Weber was its first president, and Adolph Hartman, its first secretary. Weber had

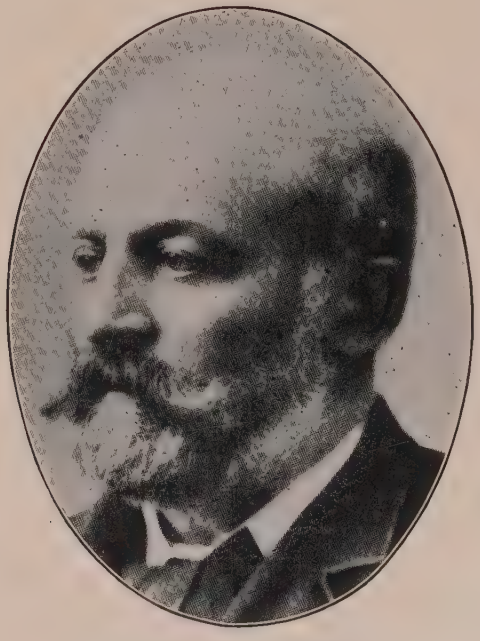
been born in Hamburg, May 29, 1825, and arrived in the United States in 1853. He journeyed westward, reaching San Francisco in July of that year. For some years he ranched, worked in the United States Mint, opened a general merchandise store in Geyserville, and then returned to San Francisco. He assisted in organizing the German Savings and Loan Society in 1868, but withdrew a year later and took an active part in the establishment of the Humboldt Savings and Loan Society.

Weber retired in January, 1903, and was succeeded by George H. Luschinger. Luschinger died in 1914, and Alexander D. Keyes was elevated to the presidency. During its long career the bank has had only three chief executives. The business of the bank grew very slowly at first, but during the past twenty years it has expanded at a rapid rate. It was originally capitalized at $100,000. This was increased to $300,000 in 1890, to $600,000 in 1908, and to $2,000,000 in 1915. It started originally as a savings bank, but has added a commercial and a trust department and also safe deposit vaults. The bank opened at 9 Kearney Street, where it remained until 1874, when it moved to 37 Geary Street. In 1905, it again moved to 628 Market Street, and after the fire of 1906 erected its present quarters at 783 Market Street. In 1906, its title was changed to the Humboldt Savings Bank, and on October 11, 1923, to the Humboldt Bank. It operates only one branch, which is located in San Francisco.

The Cosmopolitan Savings and Exchange Bank was established some time in 1869 at 626 Montgomery Street. Nothing has come down to us in the records of the time regarding the early history of that institution. In 1875, it moved to 646 Market Street, and from that time until its demise in 1877, it was sometimes referred to as the Dime Savings Bank. The first available published statement of its financial condition showed that on December 31, 1874, it had 2,307 depositors, and $76,643 in deposits. Its officers in 1875 were W. S. Thompson, president; J. Crocker, secretary; and J. R. Robinson, cashier. At the time it closed its doors, Frank Rutherford was president, and W. McH. O'Brien was cashier.

The pioneer banker of Alameda County was B. F. Ferris, justice of the peace in Oakland, whose advertisement as a "Banker" first appeared in the Oakland *News* on May 2, 1867. He also ran his business card in the San Francisco papers. In

R. J. TOBIN
Hibernia Savings and Loan Society, San Francisco



ADOLPH C. WEBER
Humboldt Savings and Loan Society, San Francisco.

commenting upon the entry of Ferris as a banker in that city, the Oakland *News* of May 25, 1867, declared that, "No attempt has ever before been made to establish a bank in this city, although it has, for some time, been apparent that one would be of great convenience to our people." Judge Ferris later served as a member of the City Council of Oakland. He remained active as a money lender or private banker until the early months of 1874, when he and some associates organized what was known as the Alameda County Savings and Loan Society, chartered August 1st of that year. On April 10, 1875, this organization was chartered as the First National Gold Bank of Oakland, with Ferris as president, and G. M. Fisher as cashier. It was located at 969 Broadway and had an authorized capitalization of $100,000. This was the beginning of the First National Bank of Oakland, which on October 14, 1924, was merged with the American Bank of San Francisco.

On August 13, 1867, the Oakland Bank of Savings was incorporated, with a capital stock of $150,000, but with only $25,000 paid in. The guiding genius behind its organization was A. C. Henry, one of the original stockholders in the Bank of California. He was the first president of the Oakland institution and was followed shortly afterwards by P. S. Wilcox. J. L. Browne was the first cashier. Henry was at one time mayor of Oakland. He was also very active in assisting in the formation of the Union Savings Bank, the Union National Bank, and the California Bank & Trust Company, all of Oakland. He died January 15, 1907, aged seventy-eight.

The Oakland Bank of Savings began business in a small brick building on Broadway near Ninth Street. It was felt by many that this location was too far removed from what was then the center of the business district. But the business came to the bank during the succeeding years in such a surprising manner that it was compelled to move four different times to larger quarters, before settling finally at Twelfth and Broadway. It was also compelled to increase its capital stock. The first increase came in 1870, when its authorized capital stock was raised to $1,000,000, but only $69,250 of that amount was paid in. On June 30, 1926, it had a total paid-in capital stock of $1,500,000, and a surplus of $355,000. On July 1, 1868, it had 150 depositors and $141,877 in deposits. On June 30, 1926, its

deposits aggregated almost $8,000,000 for both its commercial and savings business.

In 1905, its stockholders organized the Bankers Trust Company to take care of the trust business of the bank. In 1910, however, it established its own trust department, and on March 10 of that year absorbed the Bankers Trust Company. In 1915, it purchased the Berkeley National Bank and the University Savings Bank, and established a Berkeley branch. On May 1, 1922, it sold its interests in Berkeley to the Berkeley Commercial & Savings Bank, and retired from that field, feeling that it should confine itself to financing the needs of the people, the business, and the industries of the city for which it was named. On June 12, 1922, it changed its name to the Oakland Bank. At the present time it has ten branches in its home town.

For some reason which I have not been able to ascertain, A. C. Henry withdrew from the Oakland Bank of Savings and assisted in organizing the Union Savings Bank of Oakland, which was incorporated on May 26, 1869, with a capital stock of $150,000. Henry was the first president, and H. A. Palmer, the first cashier. Within a very short time the capital stock of the new institution was increased to $450,000. Its first banking quarters were at the corner of Broadway and Eighth streets, but on May 1, 1871, it moved to Ninth and Broadway. On January 1, 1870, it had 184 depositors and $60,307 in deposits. On July 1, 1875, it separated its savings and commercial business, transferring the latter to the Union National Gold Bank, which its stockholders had organized on May 20 of that year. The Union Savings Bank continued under the direction of Henry, with a capital stock of $200,000 and with a reserve of one-half that amount. Henry retired from the organization in the early '80s, and in 1887 assisted in organizing the California Bank & Trust Company of Oakland, which later became the California Bank. The Union National Gold Bank became the Union National Bank on March 8, 1881. It failed April 14, 1909, but finally paid depositors 100 per cent on their claims. The California Bank failed November 12, 1907. The Union Savings Bank sold its business on November 28, 1914, to the Central National Bank of Oakland and the Central Savings Bank of Oakland.

With the development of agriculture in the valleys of the state there came a demand for more adequate commercial banking

accommodations in the outlying districts. Yolo County at that time was engaged primarily in grain raising. The greater part of the funds of its people had been previously handled by Sacramento banks, although some had been deposited with local merchants for safe keeping. Laugenour & Brownell, of Knight's Landing, and F. S. Freeman, it is said, were called upon quite frequently by the residents in that district to act as custodians for large sums of money.

The first steps toward organizing a bank in Woodland were taken by John D. Stephens, one of the pioneers of the region. The ranchers and merchants of the community readily subscribed to the $100,000 capital stock, and on November 16, 1868, the Bank of Woodland received its charter. It opened its doors to the public in February, 1869. John D. Stephens was its first president, and C. W. Bush, its first cashier. The Bank of Woodland was without competitors for a period of fourteen years and prospered greatly. It is interesting to note that B. F. Hastings, one of the pioneer Sacramento bankers, was a director of this banking house during its early years. The Bank of Woodland became the Bank of Woodland, National Association, September 1, 1916, with a capital stock of $200,000.

The Stockton Savings & Loan Society, the second bank to be started in that city, was incorporated August 12, 1867, with a capital stock of $100,000, but with only 10 per cent of that amount paid in. This was later increased to $500,000, where it still remains. On January 15, 1920, the title of the bank was changed to the Stockton Savings & Loan Bank. The bank was opened up in the office of C. T. Meader, on El Dorado Street, between Weber and Main. In January, 1909, it moved into its new building at the corner of Main and San Joaquin streets. Dr. J. M. Kelsey was the first president, and J. M. Littlekale, the first cashier. On July 1, 1868, the bank had 150 depositors, and $141,877 in deposits. On June 30, 1926, it had total assets of $9,071,466.

In the later '60s Stockton appeared to be a fruitful field for the establishment of banking houses, for on February 3, 1868, another firm, the Bank of Stockton, was incorporated, with a capital stock of $250,000. George W. Kidd, who with J. W. Hinds and R. W. Tully had operated earlier as a private banker in Nevada City, was the first president, and F. S. Hines, the first cashier. Its place of business was at the corner of Main and

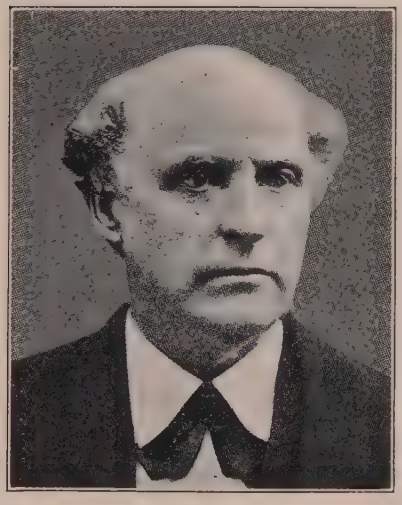
Center streets. The State Bank Commissioners in their first report in 1878-79 called attention to the fact that the Bank of Stockton presented one of the two most serious cases uncovered by them involving an impairment of capital to such an extent as to endanger the interests of its depositors. In 1882, it became the Stockton National Bank, but on October 31, 1883, it voluntarily liquidated. The same parties, however, continued to operate as a private bank under the title of the Bank of Stockton, but retired during 1888-89.

It may also be remembered that at about the time that the Bank of Stockton was organized, the San Joaquin Valley Bank was incorporated (March 14, 1868), with a capital stock of $200,000, to take over the banking business of Bours & Company, the original banking house of that city. Gilbert B. Claiborne was its first president, and B. W. Bours, its first cashier. The bank was first located on the south side of Main Street, between Hunter and El Dorado. On January 20, 1916, it nationalized its commercial department as the San Joaquin Valley National Bank, keeping the original title for its savings business. On November 27, 1917, both of those institutions were absorbed by the Bank of Italy and converted into its Stockton branch. During 1868, Webster Brothers were also operating in Stockton as "Bankers and Exchange Dealers." Nothing further is known regarding the affairs of the latter banking partnership.

The first savings bank to be chartered outside of San Francisco, during this period of rapid growth, was the Sacramento Savings Bank, incorporated on March 19, 1867. The man most active in its organization was Dr. C. H. Swift, who had come overland in 1849. He served for eight years as mayor of Sacramento. On January 28, 1875, he also established the Sacramento Bank, with a capital stock of $500,000. E. R. Hamilton was the first cashier of both institutions. Doctor Swift remained active in the management of these two banking houses until his death in 1885. The Sacramento Savings Bank was taken over by the Sacramento Bank in 1880. The Sacramento Bank later became part of the Sacramento-San Joaquin Bank, organized August 14, 1920, which was the nucleus around which the United Bank & Trust Company of California was formed, March 13, 1923.

Another savings institution, the Capital Savings Bank of Sacramento, was chartered February 8, 1869, with a capital stock

FIRST HOME OF THE SACRAMENTO BANK



CHARLES H. SWIFT
First President, Sacramento Bank

WILLIAM BECKMAN
President, Peoples Savings Bank, Sacramento

of $120,000. This was increased six months later to $500,000, but only about $300,000 of that amount was paid in. Julius Wetzlar was the first president, and R. C. Woolworth, its first cashier. It started out most satisfactorily, as is shown by the fact that by July 1, 1870, it had 1,686 depositors and $964,303 in deposits. It operated successfully for a few years, but later its finances became involved through poor loans and investments, which the State Bank Commissioners compelled it to write off. This action lost the bank the confidence of the public, and it suspended January 2, 1880, but without loss to depositors.

A similar story can be told of the Marysville Savings Bank, which was incorporated April 8, 1869. I. S. Belcher was president, and F. W. H. Aaron, secretary. The bank was first opened in the assay office of Knight & Company, 22 D Street. This was one of the early mutual banks and for some reason did not at first seem to make an appeal to the people of the community. By January 1, 1870, it had only eighty-seven depositors and $30,272 in deposits. As the years passed, however, both the number of the depositors and the extent of its deposits increased, but it was forced to suspend, November 8, 1881, due to the shrinkage of the value of local real estate, which had been the basis for many of its loans. It finally paid its depositors in full.

Organized, formal banking also began in San Jose during the last years of this decade. The firm of "Knox & Beans, Bankers" was established about March 1, 1866, by T. E. Beans and William J. Knox. It incorporated on January 31, 1868, as the Bank of San Jose, with a capital stock of $235,000. On June 30, 1926, it had total resources of $5,544,860. Mr. W. K. Beans, son of one of the founders, had been at the head of the institution for many years at the time of his death in August, 1925. It is controlled by the Bancitaly Corporation.

The San Jose Savings Bank was incorporated January 30, 1868, just the day before the incorporation of the Bank of San Jose. It started with a capital stock of $100,000. By January 1, 1870, it had 402 depositors and $112,091 in deposits. By June, 1878, it had increased its deposits more than sixfold, but it had accumulated a number of bad assets, and when the State Bank Commissioners made their first investigation in 1878, they severely criticised the bank's management and compelled its officers to write off a considerable number of items which had previously

been listed as assets. This shook the confidence of the public in the institution, and caused the bank to suspend on October 16, 1880, but without loss to its depositors.

The third banking firm to be established in San Jose was that of McLaughlin (Edward) & Ryland (C. T.), which began some time in 1869. It operated successfully from the first, and was incorporated on May 8, 1874, as the Commercial & Savings Bank of San Jose, with a capital stock of $1,000,000, only $300,000 of which was paid in. B. D. Murphy was president, and H. Hoffman, cashier. It was finally sold to the Bank of Italy, December 31, 1909.

H. Scammon established a banking house in Downieville in 1866. In 1867 John Conley & Company opened a bank at La Porte, Plumas County. H. Mackie & Company (Henry Phillip and Henry Mackie) were operating as private bankers in Nevada City in 1867. In September, 1869, they incorporated as the Bank of Nevada County, with a capital stock of $200,000. Henry Mackie was president, and Richard W. Tully, cashier. The latter corporation did not long survive the vicissitudes of the banking world and soon passed from the field.

The *Overland Monthly* of April, 1869, presented the following statement showing the relative condition of the savings banks at that time. The article was written undoubtedly some time during the latter part of 1868.

Name	Organization	Depositors	Deposits	Loans
Savings & Loan Society	July 23, 1857	4,550	$ 4,749,564	$ 4,638,458
Hibernia Savings & Loan Society	April 12, 1859	14,060	9,846,507	9,559,887
French Savings Bank	Jan. 29, 1860	3,800	3,308,209	*3,495,678
California Building Society	May 31, 1861	1,900	809,023	782,324
San Francisco Savings Union	June 18, 1862	3,577	2,556,184	2,421,879
Odd Fellows' Savings Bank	Oct. 13, 1866	739	503,041	497,788
Farmers' & Mechanics'	June 20, 1867	332	151,299	139,361
German Savings & Loan	Mar. 9, 1868	935	448,681	476,135
Sacramento Savings Bank	Mar. 19, 1867	1,648	820,936	663,563
Stockton Savings & Loan	Aug. 12, 1867	561	433,448	328,065
San Jose Bank of Savings	No report			
Oakland Bank of Savings	Nov. 1, 1867	511	221,640	151,740
In eleven societies		32,613	$23,848,532	$23,164,878

* Including sinking fund and dividends unpaid.

During 1869, California was compelled to face a serious monetary stringency. W. C. Ralston, acting through the Bank of California, had loaned the Central Pacific Railroad some $3,000,000 with which to push its line a hundred miles farther into Utah in its race across the country with the Union Pacific. This money had been spent outside the state. An additional $2,000,000 had been invested by San Franciscans in South America. In July, 1869, J. Gould and others cornered the gold

market in New York City and forced up the premium on gold, as a consequence of which all available supplies of the yellow metal were drained off to eastern centers. The banks of San Francisco had always carried a large supply of gold bars on hand, but the latter could not be used in making payments over the counter to the general public.

The United States Mint had shut down temporarily, thus making it impossible for the banks to have their gold bars minted into coins. Strangely enough there was at that time approximately $14,000,000 in gold coin locked up in the United States Sub-Treasury in San Francisco. For some unknown reason President Grant had not been willing to allow the local bankers to deposit gold bars with the Assistant Treasurer and receive in return an equivalent in gold coin. The bankers were hard pressed for funds and brought all possible pressure to bear upon the President, but without results. An uneasy feeling pervaded the financial structure of the city.

Rumors of serious import were passed from mouth to mouth, and it was felt by the leading financiers that the slightest mistake or oversight might produce a serious bank panic. Asbury Harpending, one of the early Californians intimately associated with W. C. Ralston and others in many financial undertakings, tells the following story of how the Bank of California met the critical situation:[7]

"While the tension was at its height I called at the Bank of California one afternoon and was ushered into the private office of Mr. Ralston. To tell the truth, I was feeling the pinch myself, and wanted to know something of the outlook.

"The banker said I was just the man he wanted to see. 'If things go on as they are,' he said, 'every bank will be closed by tomorrow afternoon. Not one of us can stand a half day's run, and all will go down in a heap. Then look out for hell in general to break loose. This will happen if I don't get a million dollars in coin in the vaults tonight. But I intend to get it, and want you and Maurice Dore to help. Be at the bank at 1 o'clock tonight, and put on an old suit of clothes, for you will have plenty of hard work to do.'

"Dore and myself met by appointment shortly after midnight. We were utterly mystified. Together we tramped through the

[7] Asbury Harpending, The Great Diamond Hoax, and other Stirring Incidents in the Life of Asbury Harpending. Edited by James H. Wilkins, San Francisco, 1913, pp. 135-138.

deserted, dimly lighted streets. It seemed just like old times—the time we boarded the Chapman to become privateers. We found Ralston at the bank with one of its trusty officials, still alive and prominent in San Francisco. The financier was in high spirits, but counseled caution. We walked noiselessly to the United States Sub-Treasury, then located on Montgomery, between Sacramento and California streets, where the Selby offices afterward stood. A dim light was burning within. Mr. Ralston asked us to halt a few paces from the entrance; then to our great surprise he opened the door of the Sub-Treasury, without challenge of any kind, and closed it after him as he stepped inside. Presently he emerged with several sacks of coin. 'Take that to the bank,' he said. 'The gentleman there will give you something to bring back.'

"The party at the bank received the cash, tallied it and handed us gold bars for the same value. These we took to the Sub-Treasury, where we found Mr. Ralston smilingly awaiting us with a new cargo of sacks on the sidewalk. We turned over the bars and made another journey to the bank.

"Thus, at dead of night, passing to and fro, we transferred in actual weight, between the Sub-Treasury and the bank, nearly five tons of gold. We did not get quite as much as Ralston wanted, before the light began to break. It was a heart-breaking job from a physical standpoint. I was young and athletic and stood my end of it in good shape. But Maurice Dore was of sedentary habit, soft as mush, and he was on the verge of collapse. He was nearly chest foundered and had a swayback appearance for a month. During all this time, not a person passed to interrupt us. This was doubtless due to a prearrangement with the policeman on the beat.

"When the Bank of California opened the next morning a rather ominous looking crowd was in waiting. Lines began to form behind the paying tellers' windows. It wasn't a 'run' but a 'near-run.' Ralston appeared on the scene and looked annoyed, as he said, 'Why are you making so many of our customers wait on a busy day? Put more tellers on the windows and have your coin on hand.' More tellers went to the windows. Porters brought tray after tray from the vaults. It was amazing how the crowd changed their minds about wanting their money and melted away. And all over the troubled city the report spread that the Bank of California had coin to burn, and the news caused a general relief.

"Nevertheless, a serious run started on one of the leading banks. Ralston hurried to the spot, mounted a dry goods box and addressed the crowd. He told them they were doing the bank and the city a great injustice. He declared that the bank was absolutely sound—which was the truth. He further told the crowd

that they need not wait for a line-up. Just bring their books to the Bank of California and they would be accommodated with the cash there. Again, the crowd slunk away abashed.

"Thus, a tremendous panic, the consequences of which might have been world-wide, was averted by a bold front, a nervy bluff backed by a million in cash. Three days later, President Grant reversed himself and allowed gold to be exchanged at the Sub-Treasury for cash, which settled all anxiety. This was brought about through the agency of Jesse Seligman, the New York banker, who gave the President a banquet and then showed him his mistake.

"But neither Mills nor Sharon, who were leading officers of the bank, ever knew how Ralston gathered in nearly a million dollars after banking hours that day. All the satisfaction they ever got was that a kind friend had come to the bank's assistance."

CHAPTER VIII

CALIFORNIA AND PAPER MONEY

With the incoming of the pioneers, following the discovery of gold, California became and remained for many decades a "hard money" state. This was undoubtedly due to the fact that it was able to produce more than enough gold and silver to satisfy the needs of its people for a circulating medium. Had that not been the case, its people undoubtedly would have been content to use the depreciated state bank notes of the eastern states. Gold and silver were mined and thrown upon the market in large amounts; they could be employed to the best advantage as money; and as a consequence the people early became accustomed to the use of those metals and continued to utilize them for that purpose long after the needs of business and the customs of trade had made it unnecessary to do so.

Mention has already been made in Chapter V of the difficulties experienced by the Californians in the '50s in providing a satisfactory medium of exchange and how they met the requirements of the situation through the inauguration of their own private coinage. Thus, "hard money" early became the traditional thing with them, and when anything becomes traditional, it is always difficult to bring about a change. Another reason for the dominance of the "hard money" idea was, as has been noted in the discussion of the First State Constitution, that the men who framed that notable document had had sad and intimate contact with the wildcat bank notes of the eastern states and had wisely incorporated in that document certain provisions prohibiting the issuance of any kind of paper money within the confines of the state.

From the days of gold down to 1917-18, travelers and easterners were astonished to find so much gold and so many silver dollars in circulation in California. One of the most common and ready means of identifying a newcomer was his request for paper money. He had had it "back East," he had become accustomed

to its use, and consequently asked for it when he reached California. But after residing in the state for a short time he usually adapted himself to the situation and demanded gold and silver coins for his everyday business and personal needs, as did those round about him.

During the pioneer years the smallest monetary unit employed was the mythical "bit," roughly about 12½ cents. Few purchases were ever made for less than "two bits," or 25 cents. In the '50s, however, the dime came into more general circulation. Writing in 1862-63, John S. Hittell stated that even at that time,

"No copper money is current, nor can anything be bought with a cent. The smallest coin commonly used is a dime; half-dimes are rarely seen, and when used two of them are ordinarily put together to make a dime. The general sentiment among the people is opposed to the use of any coin less than a ten-cent piece; they like high wages and high prices, and think that the introduction of half-dimes and cents would have a tendency to make us feel poor and to introduce low wages. Many retail dealers, even in the sale of candies and fruits, will therefore not take a half-dime, and not a few persons would be ashamed to offer to purchase a half a dime's worth of anything. A half-dime is looked upon with contempt and is far more rare in California than a cent in New York. During the last three months, for instance, though I purchase little articles every day, I have not seen a half-dime. That coin is not made in our mint, nor is there any demand for it. Three-cent pieces, coppers, and nickels are never seen here except as curiosities, and are of no value to make purchases."[1]

During the '70s, the silver half-dime came into circulation. In the latter part of that decade, however, the Federal government made a decided effort to introduce the nickel 5-cent piece throughout the country, but for some years it met with serious opposition in California. The *Alta California* of January 5, 1878, asked, "Why cannot the Government order the coinage of half-dimes? It is well known that the nickels and other base metal tokens, which are base otherwise as well as in their material and value, made for 5-cent pieces, have no currency in California." Again on February 11, 1879, it protested against what it called the determination of the Federal government "to throw upon this market some bushels and car loads of that nasty and repulsive coin known as the nickel 5-cent piece. * * * They are not

[1] The Resources of California, pp. 337-338.

and never can be popular as a coin. * * * Who wants to carry in his pocket * * * nickel, half-brother to arsenic?"

But protests were in vain, and the prophecies of the *Alta California* were never realized. The nickel did become, and is today, a popular coin with the people of the state. In fact, down into the first decade of the twentieth century, it remained for many years the smallest denomination of money that the people were willing to use. The penny, commonly employed in the channels of trade in the eastern cities, likewise experienced great difficulty in getting into circulation in California. Henry George, when he founded the *Evening Post* in San Francisco, made a desperate, but fruitless, effort to introduce the 1-cent piece.

During the '80s, with the influx of so many easterners into Los Angeles and with the establishment of the penny newspapers and the cafeteria in that portion of the state, the penny became a popular coin among the residents of Southern California. Harris Newmark, in his interesting volume, "Sixty Years in Southern California," tells us that the penny was introduced into Los Angeles in the '80s by George D. Rowan, a grocer of that city. Rowan was also a pioneer in several other matters, having brought to Los Angeles the first phaeton seen on its streets, and having also been one of ten men who first shipped California products east in car load lots.[2] About ten years after the unsuccessful attempt of Henry George to induce the San Franciscans to accept the penny, the late P. N. Lilienthal, who was at that time vice president of the Anglo-Californian Bank, Ltd., again tried to have the "junk," as it was called, put into circulation. The cost of living was rising, and Lilienthal felt that the use of the penny would enable the poorer classes to buy fruits and vegetables in smaller quantities. But his efforts were also in vain. Whenever pennies were handed to customers, they were usually left lying on the counter.

During 1907-08, however, the price of local newspapers in San Francisco was reduced from 5 cents to 1 and 2 cents. Cafeterias were also established, and the discarded copper coin gradually came into its own, and is today just as widely used as were the quarter, "bit," dime, and nickel during the earlier days. But even as late as June, 1914, the penny had not become universally accepted by the people in the northern part of the state,

[2] P. 511.

as was evidenced by the prophecy of the *Coast Banker*, in its issue of that month, that "* * * the cent piece and bank and Government notes, backed by Eastern popularity and their acknowledged convenience, are certain to be in general circulation at no distant day."

Californians were even more hesitant about accepting paper money in any of its various forms. From the very first, individuals, partnerships and corporations were prohibited by the State Constitution and by statutes from issuing and putting into circulation, any claims or promises to pay. Even during the critical period of the Civil War, the State and its citizens stood solidly against the acceptance of the greenbacks. Later, when the National Banking System became increasingly popular and attempts were made to establish national banks in California, the old opposition to paper money appeared in the form of objections to the circulation of national bank notes. Even though paper money was freely accepted in other parts of the United States, it never found a welcome among the Californians until during the strenuous, exciting years of the World War.

It was this continued united opposition to paper money that accounted to a great extent for the fact that California was very slow in enacting a statute permitting the establishment of banking corporations. The fear had always been present that by some means or other such corporations would be able to evade the provisions of the State Constitution and the statutes and put bank notes of one kind or another into circulation. It was only when the United States government, during the great European War, asked the various states to coöperate with the Federal Reserve Board and the Federal reserve banks in concentrating the gold resources of the country, that a change took place in the attitude of the people of California towards paper money. They were loath to give up their gold coins, but the interests of the nation were paramount, and into the Federal reserve banks went their gold coins in large amounts. Federal reserve notes and Federal reserve bank notes then appeared in ever-increasing millions and were freely accepted.

Even the governor of the State, moved by the spirit of patriotism, went so far as to authorize the use of Federal reserve notes in paying State taxes into the State Treasury in place of the legally required "gold coins of standard weight and fineness"

and legal tender notes. The last hold of California on its "hard money" tradition had been broken. Even the State government had admitted its willingness to accept the objectionable paper money. A few years after the close of the Great War, the Secretary of the Treasury urged the Federal reserve banks to put gold coins back into circulation. Gold coins had never been used to any extent in the eastern states, so that that part of the nation was not concerned when the order came to release the gold to the public. And strangely enough, neither did California and the Californians evince any interest in the restoration of gold coins to their place as part of our circulating media. Californians had within a very few years become accustomed to the convenience of the paper money and have since then not demanded gold coins or even silver dollars for their everyday financial transactions.

As has been detailed in Chapter IV, the opposition of the Californians to the issue and use of paper money was first formally stated during the meetings of the First Constitutional Convention. That attitude was definitely voiced in Sections 34 and 35 of Article IV of the First State Constitution, which, as may be recalled, were as follows:

"Sec. 34. The Legislature shall have no power to pass any act granting any charter for banking purposes; but associations may be formed under general laws for the deposit of gold and silver. But no such association shall make, issue, or put in circulation, any bill, check, ticket, certificate, promissory note, or other paper, or the paper of any bank, to circulate as money.

"Sec. 35. The Legislature of this state shall prohibit, by law, any person or persons, association, company, or corporation, from exercising the privileges of banking, or creating paper to circulate as money."

During the sessions of the First Legislature a bill was introduced by A. P. Crittenden, chairman of the Judiciary Committee of the Assembly, to enact into statute the injunction of the Constitution relative to the issue of paper money. The bill was rejected, however, because its opponents felt that "* * * its provisions were so stringent as to make even the transfer of a note of hand from one person to the other an indictable offense, and that a strict construction of it by the courts would exceedingly embarrass all business transactions where promissory notes

or other evidences were used."[3] There were no further developments in this matter until 1855. In January of that year, Governor John Bigler in his annual message to the Legislature called attention to the fact that Section 35 of Article IV of the State Constitution was not intended to operate as a prohibition against the issue of paper money unless the necessary legislation was passed to supplement that section and make it effective. This, he declared, was evident from the fact that no penalty was imposed in case of a violation of the said section. Bigler expressed the hope that the Legislature would take early action in providing the proper penalties for a violation of the section in question because he feared that otherwise "* * * all who are so disposed, can with impunity exercise banking privileges and 'create and circulate paper money,' because no provision is made in the Constitution to insure obedience to the prohibition."

On February 8, 1855, W. B. Farwell, of San Francisco, introduced a bill into the Assembly entitled "An Act to prohibit any Person or Persons, Association, Company or Corporation from exercising the privileges of banking or creating Paper to circulate as Money." After some discussion and debate, the bill was amended, passed, and signed by the governor on April 19, 1855. In spite of its rather formidable sounding title it in no wise affected any of the functions of a banking house except in the matter of the issue of paper money. It is well to recall the fact that in those formative years, to exercise "the privileges of banking" meant to the Californians the right to issue paper money, for had not such been the case in the eastern states from which practically all of them had come? This statute so clearly defined the attitude of the people towards paper money that it is worth while to quote it in its entirety. It was as follows:

"Section 1.—If any person or persons, association, company, or corporation, shall make, issue, or put in circulation any bill, check, ticket, certificate, promissory note, or the paper of any bank, to circulate as money, the said person or persons, association, company, or corporation, or the persons forming the same, shall, for the first offense, he deemed guilty of a misdemeanor, and for each and every subsequent offense be deemed guilty of felony, and shall be punished as hereinafter provided.

"Section 2.—Any person or persons, who shall upon indict-

[3] Sacramento *Transcript*, April 18, 1850.

ment be convicted of having violated the provisions of this act, shall be punished for the first offense by imprisonment in the county jail not more than three months, or by fine not exceeding two thousand dollars, or by both such fine and imprisonment; and for the second and every subsequent offense, shall be punished by imprisonment in the State prison for a term not less than one year, nor more than five years, at the discretion of the court before whom such person or persons shall be tried and convicted.

"Section 3.—It shall be the duty of the district attorney of each county in the State to prosecute all offenses against this act, and it shall be the duty of the judges of the courts of sessions to give this law in charge to the grand jury, who shall inquire into and present all cases of a violation of the law thereof."

The cursory student of the history of banking in California must not conclude, however, that in spite of constitutional prohibitions to the contrary, and in the face of the expressed and united opposition of the public, attempts were not made at various times to issue printed "promises to pay" or printed "certificates of deposit," which to all intents and purposes would, if the attempts had been successful, have been the equivalents of the eastern wild cat bank notes. As early as 1850, the banking house of F. Argenti & Company of San Francisco issued engraved bills of the denominations of $50, $100, $500, and $1,000, which pledged the firm to pay to bearer "on demand for value received" the designated sum of money "in specie." It is not known what amount of this paper money was issued, but judging from the attitude of the people of the time it is safe to say that but little if any of it ever got into active circulation or remained long in circulation after having once been issued.

On December 8, 1851, the San Francisco *Daily Herald* editorially commented upon California's freedom from paper money in the following terms:

"The severe monetary crisis of the past year from which the Eastern states are just beginning to recover, and which threatened at one time a bankruptcy, as general and disastrous as that of 1836, affords a striking illustration of the wisdom of the framers of our State Constitution, in prohibiting the circulation of bank paper in California. It is a subject for congratulation, that the prosperity of our business community is not dependent, as elsewhere, upon the caprice or stockjobbing experiments of financial paper-manufacturers. All that the enlightened opponents of banks ever charged against them has come to pass in the

commercial cities on the Atlantic. It was truly said that in the hands of speculators whose interest it was to use them in furtherance of their projects, they might be made the engines of the most crushing oppression to the mercantile classes."

It is interesting to learn, however, that only a few days later F. Marriott & Company (presumably no one was associated with Marriott in this partnership) printed and attempted to place in circulation a species of bank notes issued in various denominations. Marriott was to all intents and purposes a soldier of fortune, who, as has been noted in preceding chapters, tried first one thing and then another in order to make his fortune, finally becoming successful as the publisher of the *San Francisco News Letter*. He was at various times a loan, land, scrip, mining and money broker, a seller of bills of exchange on various cities, and a dealer in gold bonds, State warrants, foreign moneys, etc. It is said that he had a thousand $1.00 bills and three hundred $5.00 bills printed, which for some unknown reason, he made payable at the banking house of B. Davidson, the San Francisco agent of the Rothschilds of London. On December 19, 1851, B. Davidson issued a notice cautioning the public "against receiving any notes issued by F. Marriott under the supposition that they will be redeemed at my office; said Marriott never having been authorized by me to make use of my name in any manner whatsoever."[4]

The *Daily Herald* of December 19, 1851, in commenting upon this attempt of Marriott to palm off on the public "two thousand five hundred dollars of the very bad rubbish" stated that,

"How any man who is not positively insane could have attempted a thing so hopeless of concealment, so certain of detection, and so very awkward in its consequences is a mystery. Of Mr. Marriott's solvency we know nothing; it does not affect the question at all; if he had sufficient confidence in his own resources, he should not have used the name of a respectable house wholly without authority; and if he had not such confidence the affair has a worse aspect still. * * * Measures have been taken by the law advisors of Mr. Davidson to have the whole issue bearing his name destroyed together with the stone on which they were executed.

"This affair may have one more consequence, in demonstrating the utter folly of attempting to violate the constitution and

[4] *Daily Herald*, December 19, 1851.

F. MARRIOTT, SR.

BANK NOTE ISSUED BY F. ARGENTI & COMPANY, SAN FRANCISCO, 1850

the laws of the state by the utterance of this description of promises to pay designed to circulate as money."

Undoubtedly legal action of a serious nature must have been threatened against Marriott, for in the same issue of the *Daily Herald* we find him cautioning the public "against falling into the supposition that the 'cash orders' issued by F. Marriott are required to be redeemed at the banking house of B. Davidson, as he was never appointed nor authorized to consider himself agent for that purpose. The 'cash orders' issued as shown on the face, are redeemable at the office of the undersigned."

The two experiences of F. Argenti & Company and F. Marriott & Company, together with the plainly evidenced refusal of the public to have anything to do with paper promises to pay, to say nothing of the stringent provisions of the law of April 19, 1855, would undoubtedly have had an effect upon any ordinary person who might have desired to issue paper money in California. There was one man, however, apparently not afraid of the law or of public opinion, and that was the unique character and hardy pioneer, Samuel Brannan. In establishing "Sam Brannan's Bank" in 1857, he not only did the unusual thing, as we have mentioned earlier, by securing his depositors against loss by placing real estate valued at $450,000 in the hands of trustees, but he also did the unusual and inexplicable thing of attempting to issue a peculiar kind of paper currency, the like of which California had never before and has not since experienced. The *Evening Bulletin* of November 16, 1857, described Brannan's currency in the following manner:

"* * * We have seen a notice in an interior paper, some days since, of this Brannan currency, but until this morning, have not been able to get possession of a specimen. For the benefit of our readers who may not have been so fortunate as to get hold of what is intended as an entering wedge, to sap the prosperity of our State, and drive out of circulation the pure and only currency, specie, we publish below what appears on the already tattered and half-obliterated face of this paper bantling.

"The face of the note is all covered with pretty little pictures, among which are the heads of Washington and Franklin. The striking vignette, however, is the grand centre or head piece. It represents, according to a friend at our elbow, Mormon Island, the scene of Mr. Brannan's former exploits, when collecting tithes from the Mormon miners. The picture shows a number of hardy miners busily engaged with all the modern improvement of

flumes, etc., which genius and skill could devise, in extracting the staple commodity of California—gold—from the bowels of the earth. Close by stands the iron-horse with a long train attached, ready to convey the fruits of their labor and industry to Salt Lake City, or some other safer depository, far from the reach of the real owners. If the design is to typify the ulterior plans of Mr. Brannan, the engraver has indeed happily executed his work. The shin-plaster reads as follows:

(Vignette) Loan & Deposit Bank

2 No. 10, San Francisco, Nov. 10th, 1857

(Vignette.)

SAMUEL BRANNAN'S BANK

G. W. Beckh has deposited in this Bank Five Dollars, payable to Bearer, on presentation of this Certificate.

SAMUEL BRANNAN.

$5

I. W. Sloat, Cashier Loan & Discount Bank

(Vignette)

Secured by $450,000, Productive Real Estate in Trust for Redemption.

"Mr. Beckh, whose name appeared on the face of the above note, in settling some business with Brannan, had been asked by the latter if he 'would not like to have one of his certificates; that as a matter of curiosity, he took the note from Mr. Brannan for five dollars; and that, anxious to ascertain if it would pass as a circulating medium, he offered it at a restaurant in payment for his breakfast, where it was accepted and he received the change in hard coin'."

Sam Brannan's money differed from the ordinary certificates of deposit issued by banks to their customers in that it was made payable "to bearer" instead of "to order." If it had been made payable "to order," an endorsement would have been required which would have been inconvenient and would have prevented its getting into circulation. But, being made payable "to bearer," it could, and was undoubtedly intended to, pass from hand to hand in the ordinary course of business without such endorsement. The *Evening Bulletin* of November 16, 1857, was most outspoken in its condemnation of Brannan's paper currency. It asked,

"Was there ever so bold an attempt made even by the swindling concern of Marriott & Wheeler, to violate the plain letter of the law, and deceive the ignorant public?"

It added that when,

"* * * Mr. Brannan attempts to violate the Constitution of the State, and to fasten upon the community that most pernicious of all evils, a shin-plaster currency, he attempts to perpetrate a great public wrong, and it becomes our duty as a public journalist to warn the laboring classes, and others, who are most likely to become his dupes, against him, and his illegal, wily designs.

"It has been the policy of rotten banking institutions, who heretofore brought distress and ruin by flooding the land with an inflated paper currency, to either make their small notes payable at some place so distant that they would not be likely soon to reach their destination; or to send an agent from the place of issue to make purchases, or otherwise put them in circulation, so that, in the usual wear and tear of this flimsy trash, a considerable amount would never reach home to be redeemed. On this latter plan, we conjecture, Mr. Brannan has acted, or intends to act, as the public pulse will bear the gross imposition.

* * * *

"The evils of a paper currency are so great, and the wishes of nine-tenths of our people are so bitterly opposed to its introduction, that we call upon every individual who has any regard for the interest of our State financially, commercially or otherwise, to repudiate Mr. Brannan and his shin-plasters. We call upon the district attorney to promptly discharge the duty imposed on him by the statute, which he has sworn to support. Bring Mr. Brannan up to the scratch, and for every offense punish him to the full extent of the law, so as to hereafter preclude the possibility of any one attempting such an outrage.

"Will the laboring man, the poor, industrious washerwoman, the seamstress—who are always the greatest sufferers—countenance and support a currency which must eventually end in robbing them of their hard earnings? If they do, they have profited but little from the evils which have followed this vicious currency in the East. California has heretofore been free from this pest. Her hardy sons, when they have gone to rest at night with the metallic currency under their head, the genuineness of which could be easily tested by the most ignorant, have never been disturbed with dreams of broken banks and counterfeit paper. So let them continue.

"Upon the poor, chiefly, falls all the losses of a shin-plaster currency. If a bank fails, all the small issues are in the hands of those least able to bear a loss. All the gains from the wear and tear of notes are made from the charitable public. All counterfeits, or pretended counterfeits, are in the hands of ignorant holders. Space will not permit us to allude to a tithe of the evils which will follow, if Brannan's scheme is tolerated. Let the danger, then, be nipped in the bud. Let the people refuse to

receive or circulate the notes, and the district attorney prosecute the man who thus boldly, in defiance of all law, thrusts upon us such a miserable currency. The note before us is the first we have handled for many a long day. And even in its short existence of six days, seems, from its greasy and fingered appearance, to be the harbinger of the smallpox, or some other contagious disease."

And, as was to be expected, the Californians of those days refused to have anything to do with it, or any other kind of paper money.

In the fall of 1859 the voters of the state were called upon to decide whether or not another State Constitutional Convention should be assembled to revise the Constitution and remove some of the defects that had appeared during the few years that it had been in effect. In commenting upon some of the amendments that had been proposed, the *Alta California* on August 27, 1859, urged the voters to set their "faces absolutely against all schemes which may be concocted of an objectionable character." Among the latter, it declared,

"* * * is the speculating scheme of introducing a clause in an amended Constitution, in permitting banks of issue to be opened and carried on in this State. And, among the most prominent advocates of calling a Convention are the movers in this plan, who have but this single purpose, and none other, in view. Now, it is necessary for the people to set themselves firmly against this "shin-plaster" speculation here, at the opening of the Convention question—to make it a *sine qua non*, if a Convention is to be called, that no such proposition as this shall be entertained or discussed.

"The atmosphere of California must be kept clear of the miasmatic influences of paper currency. Good hard gold and silver is the only kind of currency which we ought ever to tolerate, if we would continue prosperous."

The Constitutional Convention was not called, and for a few years at least California rested easy, freed from the anticipation of the blighting effects of a paper currency, which was feared more than the people of the mythical past feared the forays of the fire-belching, human-devouring dragons. The peace of mind of the Californians, however, was not of long duration. The war clouds were gathering in the East; North and South stood locked in bitter controversy; and California was soon to be called upon to take sides in that memorable conflict and to have its loyalty questioned because of the refusal of its people to accept the

"greenbacks" issued by the Northern States, with which California cast its lot.

The election of Abraham Lincoln to the Presidency in November, 1860, "gave a severe shock to public and private credit. Southern banks withdrew large amounts of money on deposit in Northern banks; loans were contracted; and by the middle of the month the panic was complete."[5] South Carolina adopted its Ordinance of Secession on December 20, 1860. The Confederate States of America was organized February 4, 1861. On April 12, Fort Sumter was fired upon, and three days later President Lincoln issued his first call for troops. When Lincoln entered upon his task as President of the United States, he found the Treasury practically empty, custom receipts almost at a standstill, the debt of the Government increasing, and its credit rapidly disappearing. The public debt was $74,985,000. The treasury held but $1,716,000.

Such a critical situation required that a man of tested financial ability be appointed to the cabinet as Secretary of the Treasury. The public, therefore, was surprised, to say the least, to have Lincoln select Salmon P. Chase of Ohio. Chase, a lawyer, had previously been United States senator from that state and later its governor. He had been a rival of Lincoln for the presidential nomination in the Republican Convention of 1860. He was practically inexperienced in the realm of public finance. In the light of subsequent events, one may safely declare that neither Lincoln nor Chase appreciated fully the unprecedented situation which the nation was to face during the next few years.

Chase was further handicapped by having no able assistant in either the House or the Senate. Thaddeus Stevens, chairman of the House Committee on Ways and Means, in which originated all appropriations, was untrained in government finance, although exercising great influence in drafting revenue and monetary legislation. Associated with him were Justin S. Morrill, chairman of the Subcommittee on Taxation, interested in tariff measures, and Elbridge G. Spaulding, chairman of the Subcommittee on Loans and Currency. Spaulding had previously been the Treasurer of the State of New York and had also managed a small bank in Buffalo. In the Senate, W. P. Fessenden, the chairman of the

[5] Davis R. Dewey, Financial History of the United States, New York, 1909, p. 272.

Committee on Finance, was a lawyer, also inexperienced in financial matters.

The uppermost issue before the nation at that particular time was naturally the financing of the Northern campaign. Two methods were deemed possible, i. e., the issue of bonds, and the levying of taxes. After considerable discussion, Congress on July 17, 1861, and on August 5, 1861, empowered Chase to float a loan of $250,000,000, and to issue as part thereof $50,000,000 in non-interest bearing treasury notes of denominations ranging from $5 to $50, payable on demand, or an equal amount of notes bearing interest at 3.65 per cent, payable in one year. The banks of New York, Boston and Philadelphia, after consultation with Chase, agreed to subscribe to $50,000,000 of a $150,000,000 loan, and to take two further installments of $50,000,000 each of three years 7.3 per cent treasury notes. The banks, moved by a spirit of loyalty, were really promising to undertake a most difficult task, inasmuch as the institutions entering into the agreement had an aggregate capital of only $120,000,000, and coin assets of only $63,000,000.

Under the provisions of the acts of Congress, Secretary Chase issued $33,460,000 of demand notes. As the days and months passed the situation became increasingly critical. The market for Northern loans was limited. There was no adequate method available whereby the people could be induced to subscribe for the bonds of the Northern States. On January 1, 1862, the banks of the country had but $87,000,000 of specie to meet $459,000,000 of indebtedness. Congress hesitated to enact a thorough-going system of taxation. There was grave danger of a clash with England over the Trent affair. To those closely in touch with the situation it appeared "impossible to go through a war on a basis of a currency system so inadequate." On December 30, 1861, the eastern banks suspended specie payments, and were followed shortly thereafter by the United States Treasury.

Secretary Chase, in his report to Congress in December, 1861, estimated that the Government would face a deficit of $214,000,000 during the next six months. To meet this situation he proposed an increase of only $50,000,000 in taxation, and asked that the remainder be met by an issue of bonds. In his report, he also suggested that borrowing might be made easier if it were possible to have "a national reorganization of the state banking system

requiring all to purchase United States stocks to hold as security for their circulating notes."

Spaulding, as chairman of the House Subcommittee on Loans and Currency, felt that the proposed national currency bank scheme suggested by Chase could not be passed and become available soon enough to meet the crisis then pressing upon the Government for money to assist the army and navy. Consequently, he removed from the proposed measure, which was to be presented to Congress, that section which related to the issue of legal tender notes, and made it into a separate bill, introducing it by unanimous consent into the House of Representatives on December 30, 1861. The bill provided for an issue of $50,000,000 treasury notes payable on demand and decreed to be legal tender for all debts public and private. The bill was referred to the Committee on Ways and Means, which later divided upon the question of the constitutionality of the proposed measure. It was subsequently reported back to the House, where it met with serious opposition.

Bankers, newspaper editors, and others protested most vigorously against any plan which included an issue of inconvertible paper money. On February 6, 1862, the bill passed the House by a vote of 93 to 59, and the Senate, after several conferences with the House, approved it and handed it to the President, who signed it on February 25, 1862. The original bill had been amended and in its final form authorized an issue of $150,000,000 of United States notes in denominations of not less than $5, one-third of which were to be used to replace the demand notes of 1861, which were to be withdrawn as rapidly as possible. The notes of 1862 were declared to be "lawful money and a legal tender in the payment of all debts, public and private, within the United States, except duties on imports and interest on the public debt." Because these notes were printed partly in green ink, they immediately became known as "greenbacks."

Within three months the Government was compelled to put out another issue of $150,000,000, of which $35,000,000 were in denominations of less than $5 but not less than $1. On March 3, 1863, a final issue of $150,000,000 was approved, all of which was in denominations of $1 or more. Thus by three laws the United States placed $450,000,000 of inconvertible paper money in circulation with no security behind it other than the mere promise of

the Federal government to pay some time or other whenever it was able and prepared to do so.

From the very first day of their appearance the greenbacks failed to be accepted at their face value, and as time passed their discount in terms of gold became greater and greater. Gold coins had been in circulation in the eastern states, especially in connection with large financial transactions and in banking circles. They were seldom employed by the common people in their business relations because of the wide and customary use of bank notes issued by state chartered banks.

When the greenbacks fell to a discount, the gold coins began to disappear from the channels of trade. It was merely another instance of the workings of Gresham's Law,—cheap money had driven out dear money because of the oversupply of, and the resultant depreciation in the value of, the greenbacks as measured in terms of gold. But, gold coins did not disappear entirely, for banks still "continued to hold large amounts of specie in their reserves, while the government paid interest on a large portion of its debts in gold and required the use of gold by importers in payment at the customs houses."[6] As the discount on the greenbacks became greater and greater, the subsidiary silver coins also disappeared. The Federal government had earlier experienced considerable difficulty in keeping the silver dollar and the small silver coins (subsidiary coins) in circulation.

When in 1834-37 Congress changed the mint ratio from 15 to 1 (which ratio had been established in 1792), to 15.988+ to 1 (usually known as 16 to 1), it undervalued silver as measured in terms of gold. The new mint ratio called for the coining of silver dollars at a weight (412½ grains of silver $^{9}/_{10}$ fine) which was approximately sixteen times the weight of the gold dollar (25.8 grains of gold $^{9}/_{10}$ fine). Out in the market, however, the silver in the silver dollar was worth more than a dollar in terms of gold, as a consequence of which the miners refused to bring silver to the mints to have it coined into dollars or subsidiary coins. This resulted in a shortage not only of the silver dollars, but also of the smaller or subsidiary coins. The latter had been coined proportionately lighter, so that ten dimes, four quarters, or two halves contained as much silver as the silver dollar.

[6] W. C. Mitchell, History of the Greenbacks, Chicago, 1903, p. 142.

The people were sadly handicapped in their ordinary business transactions because of the shortage of these smaller silver coins. As a consequence, Congress in 1853 reduced the weight of the subsidiary silver coins 7 per cent, so that ten dimes, four quarters or two halves contained 7 per cent less silver than the silver dollar. These small silver coins, therefore, circulated as long as there was no other kind of money that was any less valuable either on the basis of the metal which it contained or on the basis of its value in terms of gold. Consequently, as soon as the greenbacks depreciated more than 7 per cent below their face value, they began to drive the subsidiary coins out of circulation. By July, 1862, the situation had become most serious. On July 14, Chase wrote to Thaddeus Stevens saying that "To supply the want of these coins, tokens and checks for sums less than one dollar are being issued by hotels, business houses, and dealers generally; and the most serious inconveniences and evils are apprehended unless these issues can be checked and the small coins of the Government kept in circulation, or a substitute provided."[7]

To relieve the situation, Congress passed a measure signed by the President on July 17, 1862, directing the Secretary of the Treasury "to furnish to the assistant treasurers, and such designated depositories of the United States as may by him be selected, in such sums as he may deem expedient, the postage and other stamps of the United States to be exchanged by them, on application, for United States notes." Acting under this authorization, the Secretary of the Treasury immediately began issuing "postage currency," and by May 27, 1863, the date of the last issue, $20,000,000 had been placed in circulation. On March 3, 1863, Congress authorized the issue of "fractional currency," i. e., paper money of denominations smaller than a dollar, for the purpose of displacing the postage currency. The first pieces of fractional currency appeared October 10, 1863, and during the period of the war an aggregate of $15,000,000 was issued. During the same time about one-half of the postage currency was retired.

In this history of banking in California we are not concerned with the details of the greenback situation as it affected the eastern states. Much has been written on that subject by many eminent authorities, but the most excellent and outstanding discus-

[7] Congressional Globe, 37th Cong., 2d Sess., p. 3405.

sion is contained in two masterly volumes by Dr. Wesley Clair Mitchell, entitled, "A History of the Greenbacks"[8], and "Gold, Prices and Wages under the Greenback Standard."[9] California was far removed from the seat of conflict and from the markets of the eastern cities, in which the greenbacks found ready acceptance. Nevertheless, its citizens were affected directly or indirectly by all that occurred. But, situated as they were, out on the western rim of the continent, they undertook to carve out their own destiny and to adopt such practices as seemed best to fit in with their "hard money" traditions and to suit their own wishes and economic interests under the conditions that existed.

The demand treasury notes issued by the Federal government under the law of August 5, 1861, were practically unnoticed in California because very few reached the Pacific Coast. Those that found their way to California were brought in by travelers from eastern communities. They were legal tender only in the payment of public debts. That fact, undoubtedly, had a great deal to do with their not getting into general circulation. However, their issue did cause some doubts to arise among the Californians, as is evidenced by the statement of the San Francisco *Mercantile Gazette and Prices Current* on January 20, 1862, to the effect that,

"The condition of matters in the East is exerting a decided influence upon money matters here. Advices have been received that a large amount of demand treasury notes is soon to arrive, and as they have been constituted (it is believed) a lawful tender, the attempt will no doubt be made to force them into circulation. The question arises what will be the result? Will the act legalizing them be retrospective? Will it compel their receipt in payment of preexisting debts? Will the bankers receive them? We have no doubt on these points. Where obligations are made payable in the usual form, the demand notes will cancel those obligations; they cannot be refused. The bankers must judge of the expediency of adopting measures to protect themselves against the loss which must result from the depreciation of these notes. Already the matter is pressing itself upon their attention and, we may observe, has added another to the elements operating upon our Money Market, and causing extreme stringency."

A few days earlier, January 15, the *Alta California* of San Francisco adequately expressed the attitude of the residents of

[8] Published by the University of Chicago Press, 1903.
[9] Published by the University of Chicago Press, 1908.

the state by declaring that, "Now, it is scarcely necessary to say that on this side of the continent the feeling of the people is most decidedly averse to the circulation of a paper representative of value." It was evident, therefore, that from the very first California was determined to remain upon a gold basis, regardless of the actions or desires of the Federal government. These demand notes, however, caused no problems to arise in California because of their scarcity, although in the eastern states they did displace a certain amount of the depreciated state bank note currency. They fell somewhat below par in terms of gold, although they were always at a premium in terms of the subsequently issued greenbacks.

When the bill of February 25, 1862, was passed authorizing the issue of $150,000,000 of legal tenders (greenbacks), more than a month elapsed (March 27) before a correct copy of that measure was received in California. The means of communication with eastern points were most unsatisfactory. Under favorable circumstances the Pony Express could bring news across the continent in ten or twelve days. When the telegraph line was finally strung across the mountains and prairies at the beginning of the Civil War, reaching San Francisco in October, 1861, it proved to be "a slender and uncertain means of communication." Even when operating under the most favorable conditions it proved an imperfect means of communicating with the outside world. The "stutterings" of the wire were a continual irritation at all times throughout the Civil War period. Immediately upon the signing of the bill authorizing the first issue of legal tenders, the telegraphed text of the measure was published in the California newspapers, but it was so badly mixed up because of the imperfect telegraphic connections that no one could understand exactly what it was all about.

The people of California knew that there had been some discussion in Congress concerning the advisability of enacting a law which would authorize an issue of inconvertible legal tender money, but to a surprising extent they did not appear to be greatly concerned as to the possible effect of such an issue on the state and its commercial and financial welfare. The Californians were far away from the eastern centers; they seriously doubted whether the legal tenders would ever reach the coast, for the treasury demand notes of 1861 had not affected California in any manner

whatsoever. That this was the case is evident from a perusal of the papers of the times.

The *Alta California* of March 27, 1862, declared that the legal tender act of 1862 was a proper and satisfactory means of providing a more uniform currency for the eastern population than had been experienced under the multifarious and disgraceful state bank note issues. It expressed an opinion that the greenbacks would be quickly absorbed by speculators, and rejoiced over the thought that their issue was in reality a forced loan from the people and would make unnecessary a loan from foreign countries.

Within a few months, however, the tone of the California papers took on a different hue. The *Alta California* of May 19, 1862, published a letter from its New York correspondent, dated April 2, containing a statement to the effect that conditions in the East were not all that could be desired. The effects of the inflation caused by the greenbacks were beginning to be felt. After calling attention to the fact that the demand notes of 1861 had merely replaced the worthless state bank note currency, the correspondent expressed alarm over the action of the Government in issuing the new legal tender notes at the rate of $2,500,000 a day. They were clogging the channels of trade and causing a condition of inflation to exist. Prices of merchandise were rapidly rising, which would make it necessary for the Californians to pay higher prices for their supplies. On the other hand, however, he stated that the increased prices would be almost counterbalanced by the advancing premium on gold, and also by the greater returns which the Californians would receive for their exports. He declared that all firms in New York, representing California houses,

"are having their remittances sent from your side entirely in gold, paying their own freight and insurance. The advance in premium (on the gold) affords them quite a handsome profit over the cost of freight and insurance too. Those sending through banks and express, depositing their gold in your state, and buying drafts to remit to their friends, not only pay for the drafts, which alone would pay the freight on a small parcel, but their friends here lose the premium—the banks and express meeting the payment of the drafts with paper money and enjoying the benefit of whatever the premium on gold may be at the time, instead of the original depositor or his relatives and friends."

On June 13, 1862, the legal tender notes were quoted for the first time in the local San Francisco papers as being at a discount

of from 1 to 2 per cent. A week later (June 21) the *Mercantile Gazette and Prices Current* of that city stated that,

"U. S. legal tender notes are appearing among us in considerable amounts, brought out by passengers under the impression that they were at par here. In the way of trade, in very limited sums, and for the payment of small debts or bills, we believe they pass at par; but in Exchange for Money—for Gold, which is our currency, they are at a discount of 1 @ 2%, and their future value here will be regulated entirely, doubtless, by their value at the East as compared with Gold. Should they continue to depreciate there, they will decline here. The laws of trade will enforce themselves as regards the general current of business; notwithstanding, debtors may compel the acceptance of these notes in payment of indebtedness, unless restrained by express stipulations."

During the summer of 1862, a number of firms set themselves up in business in San Francisco as brokers and dealers in legal tenders. By June 30, the greenbacks were at a discount of about 8 per cent, and by July 19, they had dropped to a discount of 15 per cent. From that time well on into the '70s, they were bought and sold on the street and on the stock exchanges of San Francisco just as stocks and bonds are bought and sold today. They afforded wonderful speculative opportunities for those who desired to take the chances. It was no unusual thing for them to be dealt in on the local stock exchanges in amounts of over $1,000,000 a week. The speculation in the Government's paper money produced unique results at times. For example, in the early days of November, 1862, speculation was so rampant in San Francisco that the supply in the local Sub-Treasury became exhausted and the Assistant Treasurer had actually to resume payments in coin.

The legal tenders were not money to be accepted at their face value, but merely a commodity in trade, whose continually changing value was determined by a number of forces in the local market. It would be too detailed a task to trace the various fluctuations which occurred from day to day. As a general rule they commanded a better rate in San Francisco than in the eastern markets.

In July, 1862, the steamer *Golden Age* arrived in San Francisco, bringing $1,000,000 in greenbacks to be used by the Federal

government in paying salaries and in purchasing supplies. The Federal employes protested vigorously, but to no avail, against being forced to accept the greenbacks at their face value. The notes were at a marked discount in the local market. Goods were priced and sold in terms of gold. As a consequence, the salaries of the Federal employes were actually reduced to a considerable extent, depending upon the rate of discount at which the greenbacks were accepted by merchants and others in San Francisco. The following is typical of those everyday incidents that arose in connection with the efforts of some citizens to put the greenbacks in circulation: A man entered a San Francisco store "for the purpose of purchasing a stove. He selected one, and was told the price was $20. The purchaser agreed to take it, and offered four treasury notes of $5 each. The stove dealer said if treasury notes were offered, the price would be $25. 'So,' said the purchaser. 'Treasury notes are a legal tender, and you must give me the stove for $20 worth of them.' The reply of the stove dealer was that 'he had no stove to sell,' and there the transaction ended."[10] A similar incident, characterized by the *Solano Press* of February 16, 1863, as being the "coolest piece of impudent financiering," was the following:

"A man went to a pawnbroker and procured an advance of $100 in gold upon a superb gold watch worth double the money. He then went out and purchased the amount in greenbacks, went back with two witnesses, tendered the notes in payment of the advance, and despite the blessings showered upon his head by the victimized dealer in pledges compelled him to give up the watch and take them or nothing for his pay. By this little operation he pocketed $35 net profits."

The newspapers of the state, almost without exception, protested vociferously against the efforts made to compel the Californians to accept the depreciated currency. The argument that loyalty to the Northern cause required their acceptance was met with the statement that "The first reception of the legal tender notes in liquidation of dues from the Government, is all the benefit we can confer on that Government by their circulation. Loyalty requires us to go no further, so far as this paper is concerned, nor can it dictate our disposition of it. To urge people, as a

[10] *Alta California*, July 30, 1862.

patriotic act, to receive them for more than their real value, is the merest absurdity."[11]

As early as July 2, 1862, the *Evening Bulletin* had sensed the results that were bought to come from the circulation of the greenbacks, and had declared that their value would "inevitably derange the currency in this state and cause almost immediately a conflict between the specie basis we have always preserved and the United States money which has grown out of the exigencies of the present war. * * * Changes threaten us, and to be prepared for them will save an infinity of trouble." It therefore made the suggestion that a specific contract, covering the exact kind of money in terms of which payment was to be made, be drawn up in connection with each debt obligation. "It is evident," it said, "that if the difference in value of the gold and demand notes continues, the community must make up its mind what to do. Where in the matter of payment of money, in the absence of express stipulation as to the kind, the law authorizes one thing while honor has held to another, the result will be that all persons who hold themselves amenable to law only will pay in the currency of the lowest value, while those who are sensitive to honor will be compelled to pay in gold—a condition of such striking want of equity as to be unendurable." It therefore suggested the following form of specific contract:

"San Francisco, July ____, 1862.

_____ months after date for value received we promise to deliver to Brown, Jones & Robinson or order as much gold bullion as will make when coined fifteen hundred and sixty dollars of the gold coin of the United States of the present weight and standard of fineness with interest on the value of the same at the rate of _____ per cent.

Smith & Co."

Little did the *Evening Bulletin* realize that it was proposing a measure which was to become the storm center of a long and bitter controversy, but which was to enable California to remain definitely upon a specie basis while other sections of the United States were wallowing in the slough of inflation brought about by the circulation of greenbacks.

Henceforth the columns of the newspapers of the state became the battle ground of one of the wordiest contests ever fought in

[11] *Alta California*, July 30, 1862.

California over a monetary issue. On July 23, 1862, an anonymous correspondent, "R," writing in the *Evening Bulletin*, asserted confidently that the legal tenders were "certain to become the currency of the state," and that the sooner the Californians accepted them, the better it would be for both themselves and the Federal government. "Above all," he said, "it is the duty of the towns, cities, and counties of California, and more particularly of the State itself, to receive without question the United States notes for taxes due. It is disgraceful and disloyal to refuse them upon any miserable technicality that our revenue law provides that taxes shall be paid in coin." He also suggested that in order to avoid serious difficulties, the Chamber of Commerce, bankers, leading merchants, the tax collectors and the State Treasurer should immediately announce that legal tenders would be received at par in all transactions.

On July 25, another anonymous correspondent, "F,"[12] took "R" to task and declared that California need not fear the promised deluge of paper money. California had an adverse balance of trade of $40,000,000 a year, and the legal tenders that did reach the state could be immediately collected and sent back East to pay for such imports. In passing, it may be noted that it was this very thing that subsequently became the accepted practice. "F" called "R's" attention to the fact that in the last analysis the eastern states themselves were on a gold basis, because greenbacks were there quoted in terms of gold. California was openly and decisively upon a gold basis and should remain so. Three days later, "R" replied, and in no uncertain terms urged that California should welcome the legal tenders. He said in part:

"My belief has always been that a well contrived, skillfully conducted system of banking, combined with one of circulation, is the greatest triumph of political economy. I would like to see such a system prevail here. The argument advanced that California has prospered beyond a parallel in history and without a paper currency has no weight. Nobody can reasonably say that San Francisco might not have been far more prosperous, that the resources of California might not have been far more developed, and our system of internal improvements in a much better state of advancement, had there prevailed in this state a well carried out system of banking. * * * In California,

[12] Probably John Alexander Ferris, M. A., author of The Financial Economy of the United States Illustrated, San Francisco, 1867.

some of us, decrying with holy horror against the evils * * * of this paper currency, have for some months past been paying our Eastern debts in this very paper and quietly pocketing the difference in its value either in the premium the gold sold for in New York or in the reduced rate of exchange here."

His advocacy of a "skillfully conducted system of banking combined with one of circulation" caused the *Alta California* of July 30, to declare that,

"There is so little in the way of passable argument that can be brought to sustain the present effort to introduce what is called 'paper money' among us that we are not surprised to find so few public advocates of the measure. * * * The door once opened to paper as a circulating medium and not the subject of barter and we should have enough of every description of feline characteristic from tame to wild. It may well be said, and not jokingly, that 'We want no change, but least of all such *change* as this would bring us.' The assertion that California might have done better with paper banks than without them we are willing to pass for what it may be deemed worth; but it seems that the change suggested might realize to us if carried out the epitaph said to have been met with by some one: 'Was well; wanted to be better—took medicine, and here I lie!' "

Another communication from "F," this time in the *Alta California* of July 31, 1862, carried a most vigorous plea that California must at all costs maintain her gold currency. It did not need the legal tenders. It would be far better for the State to pay its share of the national direct tax, levied by the Federal government, entirely in gold than to accept a paper currency. He stated that the legal tender act could "never be equitably enforced in California because all of our contracts have been made upon the basis of a gold currency; while all of the contracts in the old states have been made upon the basis of inflated paper currency."

This latter statement, in fact, contained one of the arguments most commonly advanced by the Californians against the acceptance of the legal tenders, i. e., that the people of the eastern states had been accustomed for years past to make and enforce contracts on the basis of an inflated depreciated currency, i. e., state bank note issues, while Californians had been accustomed since the earliest days to carry out all contracts on the basis of a gold currency. Another argument, commonly advanced, was that the fluctuations in the value of the legal tenders depended entirely upon circumstances and conditions over which Californians had

no control. The value of the greenbacks varied in accordance with their price in gold in the New York market, and California was too far removed from that center of activity to exert any influence. Why should its citizens be made to suffer from the results of currency variations to which they were not a party? Not only that, but California was connected with New York only by means of the telegraph, and "telegraphic news was liable to be subject to monopoly control."

The farmers of the state were also vitally interested in preventing the circulation of the greenbacks, because their surplus supplies of grain were sold to England, which country was upon a gold basis. To introduce a fluctuating currency in transactions between California and England would be to disarrange the exchanges, which had always been of a most stable character, and thus make it impossible for the farmers to know what money returns they would receive for their grain exports.

There was also the matter of old debts that had to be considered. Would contracts made before the issuance of the greenbacks be payable in gold or in greenbacks? If payable in greenbacks the creditors would suffer, because greenbacks in California were circulating at a discount. Debtors would pay back the designated number of dollars, but they would pay in paper money, which would not buy as much as the same number of dollars in gold or silver coins. It was also pointed out that the United States Government itself was not willing to accept the greenbacks in payment of duties on imports, nor was it willing to use them in paying interest on the public debt.

The lines of battle were sharply drawn, but with relatively few citizens of the Golden State rising to defend the legal tenders. Developments came rapidly. On July 28, 1862, the first case involving the legal tender notes was carried before the Twelfth District Court by John Perry, Jr., who attempted by mandamus proceedings to compel the tax collector of the City and County of San Francisco to accept $270.45 in United States notes which Perry had tendered in payment of State and county taxes. The tax collector had refused the greenbacks and maintained that he would continue to do so on the ground that he was prohibited by the State revenue act of May 17, 1861, from receiving anything in payment of taxes other than "legal coin of the United States,

or foreign coin at the value fixed for such coin by the laws of the United States."

The attorneys for the plaintiff, however, claimed that whenever there was a conflict between the legal tender laws of Congress and the revenue laws of California, the former always took precedence. Moreover, when Congress had made the legal tender notes "lawful money and a legal tender in payment of all debts, public and private, within the United States," it had intended to include taxes as a public debt. All obligations, it was urged, were debts; taxes were public obligations; therefore every tax was a public debt.

The District Court immediately rendered a decision in favor of the plaintiff in order that the case might be appealed to the State Supreme Court for an early settlement. In September, the latter decided in favor of the defendant. It held that the legal tender act as passed by Congress made no reference to State taxes, but only to taxes payable to the United States. When it referred to obligations other than those to the United States the act used the term "debts." Taxes are not debts, because a debt is a sum of money due by contract, express or implied, and taxes are not based upon contract. They do not establish the relation of debtor and creditor; nor are they subject of attachment. They owe their existence only to the action of the legislative power, and do not depend for their enforcement or validity upon the individual assent of the taxpayer.

The court also declared that it was not passing on the question as to whether or not it was within the constitutional power of Congress to make the notes a legal tender in payment of debts. It was concerned solely with whether or not legal tenders could be used in the payment of State taxes, and it was of the opinion that they could not legally be so employed.[13]

Those who had opposed the acceptance of legal tenders had been publicly accused of being secessionists, abettors of treason, traitors to the Northern cause, etc. The decision of the State Supreme Court in this case, however, appeared to remove the basis for such accusations. This decision also made it inevitable that there would henceforth be a greater insistence upon the use of gold as a medium of exchange and also an increasingly bitter

[13] Perry vs. Washburn, 20 Cal. 318.

opposition to the use of legal tenders. It also paved the way for the establishment of various brokerage houses which specialized in the sale of legal tender notes at their current value in gold in the San Francisco market. Advertisements such as the following soon began to appear in the San Francisco newspapers:

UNITED STATES LEGAL TENDER NOTES
Bought and Sold at Current Rates
G. F. H. Woods, Broker, San Francisco[14]

UNITED STATES LEGAL TENDER
N O T E S
Bought and sold by
George W. Smiley, Broker
No. 428 Montgomery Street
N. B. Country orders will receive particular attention.[15]

Immediately following this important decision two prominent State officials by their acts and declarations tended further to confuse the public mind regarding the use of the legal tenders. Frank M. Pixley, State Attorney General, in a letter addressed to the *Evening Bulletin*,[16] declared that Congress had the undoubted right to issue legal tender notes, and that anyone who refused to receive them at par was a traitor. He held that all contracts, even though calling for payment in gold of certain weight and fineness, were payable in legal tender notes. This publicly expressed opinion of the State Attorney General had a profound influence in interfering with the moneyed transactions throughout California. The *Evening Bulletin*, however, rather slyly commented upon Pixley's statement by calling the public's attention to the fact that Pixley had not added the following postscript to his letter, as he might well have done:

"P. S. Everyone is a traitor who does not receive legal tender notes except myself and other state officers who are entitled to gold and who will receive nothing else from the State Treasurer."

Scarcely had Pixley's pronunciamento appeared when the State Treasurer, D. R. Ashley, further startled and disappointed the people of the state. California's quota of the direct tax levied

[14] *Alta California*, October 27, 1862.
[15] *Alta California*, January 3, 1863.
[16] September 29, 1862.

by the Federal government amounted to $254,538.66. On September 13, 1862, Ashley paid $62,839.31, the first installment, in legal tender notes, to D. W. Cheesman, the Assistant Secretary of the United States Treasury at San Francisco. Cheesman refused to accept the legal tenders and wired to Secretary of the Treasury Chase for instructions. The latter advised Cheesman to accept them. The people, however, were thoroughly aroused over this action of their State Treasurer. At that time legal tenders were at about an 8 per cent discount.

Ashley had saved the State $4,486.39 by their use, but the people were not interested in whether or not the State had been saved any money. They were eager to have the reputation of the State preserved at any cost, and insisted that gold be paid by the State Treasurer to the Federal government. Leland Stanford, then governor of California, took a hand in the matter, and on October 6, addressed the following letter to the Assistant Secretary of the Treasury at San Francisco:

State of California, Executive Mansion.
Sacramento, Octo. 6, 1862.

Hon. D. W. Cheesman,
United States Sub-Treasurer, San Francisco.

Sir: I learn with deep mortification from various creditable sources, though not officially, that on the 30th of September the State Treasurer, the Honorable D. R. Ashley, tendered to you on the part of the State in part payment of the direct tax apportioned to this State by Act of Congress passed on the 5th day of August, A. D. 1861, United States Legal Tender Notes in lieu of coin paid into the State Treasury by the people of the State for that purpose.

I do now on behalf of the people of this State as I should before have done had I been informed of the substitution protest against this action on the part of the State Treasurer and most earnestly assure you and through you the General Government that the loyal people of this State have no desire to benefit themselves at the expense of the General Government.

Respectfully, your obedient servant,
(Signed) Leland Stanford,
Governor of California.

Cheesman replied, however, that the Secretary of the Treasury had advised him to accept the greenbacks offered by Ashley. Stanford, however, was not to be silenced by this information, and on October 13, addressed a letter to Ashley couched in the most vigorous terms, in which he said, in part:

"* * * I ask in assumption of the fact of which I am well assured how, when, where, why, and by what authority was specie taken by you from the State Treasury Vaults where it had been placed for the use of the United States, changed into another and depreciated currency not receivable into the State Treasury for taxes and of which you as State Treasurer could take no cognizance and that depreciated currency tendered to the United States Assistant Treasurer in payment of the direct tax due the United States from this State?"

Ashley, in reply to the governor and also later in his annual report for the year 1862, pointed out that other states on the Atlantic slope had paid the direct tax in either claims or legal tender notes. Had California paid in gold, it would have done so at a higher rate of taxation than any other state, and in proportion to the extent to which gold exceeded the value of the greenbacks in California. He held that the states were merely complying with the requirements of the situation in a method clearly prescribed by Congress. He declared that even after California had made its payment of the direct tax in greenbacks the Federal government did not at that time have enough greenbacks to make its necessary payments in California, as was shown by the fact that on November 3, 1862, Cheesman, the Assistant Secretary of the United States Treasury, had begun to make payments in coin because he had exhausted his supply of legal tender notes.

Ashley also wisely added that if gold had been paid, the United States would not have benefited thereby, because it would have immediately paid out that gold to Government contractors, officials and other claimants in California who would have received the gold in place of the notes and also the benefits thereof. "The United States received no detriment, the contractors, etc., received no increased profit, and the State did gain some money by the payment in notes." He argued that the State was very deeply in debt and that every effort should be made to save even the smallest sum for the State Treasury. By having gold converted into greenbacks he had made a saving of over $4,000. He added:

"Did not the State need this money? Let her creditors who are unpaid for many months, and the public institutions which languish for want of the money the State has nominally appropriated to them, and officers and judges who are forced to sacrifice their salaries to the scrip brokers, answer the question."

He called attention to the fact that the greenbacks were legal tender for all debts, public and private, except duties on imports and in payment of interest on the public debt. This, therefore, meant that all dues owing to the United States Government could legally be paid in greenbacks.

Ashley was roundly condemned on all sides for what he had done. The people had paid their taxes into the State Treasury in coin, and they demanded that Ashley pay the State's obligations to the Federal government in the same medium of exchange. It did not matter that he had saved them over $4,000 by the use of greenbacks. The local press was unanimous in declaring that,

"* * * The honor of California is involved in this matter. The people expect that this obligation shall be discharged in coin, and nothing else. They gave coin to Mr. Ashley for the purpose, and they expect that nothing but coin shall be paid out."[17]

In replying to this argument, Ashley said that the people had paid their taxes into the State Treasury in coin because the law required them to do so. "But the State," he continued, "although collecting the coin, pays the United States in notes, and the difference remains in the Treasury an equal benefit to all the taxpayers of the state; for so much money as is saved lessens so much their future taxation. As to the amount saved, the State receives the whole benefit, and any imputation to the contrary is grossly without foundation." Incidentally, he informed them that, "The amount could not be made greater because in loyal California the National credit has not sunk so low as some supposed and hoped." In fact, he claimed that, by his having used the legal tender notes to pay the State's quota of the direct tax, he had actually raised their value by giving "countenance to their use as money and so aided the design of the Federal Government." Under no circumstances would he retrace his steps or call for quarter. He vigorously maintained that,

"* * * the legal currency of the country must be accepted, or we must separate from the government. Our pretence of being loyal while we are stabbing the Government credit is hollow. It deceives no thinking man, and does more to cripple the nation and aid the rebellion than an army of open secessionists could do. * * *

"The use of these notes aided the Government and now when

[17] *Alta California*, November 9, 1862.

our country is in the crisis of her fight can we cavil? And will we place any obstacle in the way of her triumph? * * * *

"California will be made no exception as to the effect of these loans and it is useless to ask Congress that in California these notes shall have a different legal standing from what they have in other states. * * * *

"The strict deductions of the political economists may be cited against using the notes as they may also against submitting to the tariff. Well, then, if these dogmas are dearer to us than the Union the conclusion is, separation and rebellion. I do not choose it; but prefer to remain an American citizen and to live under the old flag."[18]

Notwithstanding the determined manner in which Ashley defended himself, Governor Stanford brought the matter before the Legislature and both houses appointed committees to investigate the situation. Ashley, however, was confident that his policy was the correct one under the circumstances and refused to be diverted from his chosen course of action. Before the committees had had time to make a report he had paid the remainder of the Federal tax in legal tenders, thus saving the State a total of about $25,000. Cheesman again refused to receive anything but gold, and for a time the matter remained unsettled. The *Evening Bulletin* on January 3, 1863, congratulated the latter for insisting upon gold payments, claiming that if greenbacks had been accepted, the Federal government would immediately have paid them out to meet its expenses, thus keeping them in circulation. The *Alta California* of January 3, 1863, condemned Ashley in the following terms:

"* * * Mr. Ashley may think it necessary for his own consistency to repeat the operation, but it is not prudent for him or any other officer to persistently set at defiance the people from whom he derives whatever power he exercises. This mode of doing business with the General Government is generally regarded as mean, petty, and unpatriotic.

"All that Mr. Ashley can urge in his own defence is that by converting the coin into greenbacks he has saved certain small amounts to the state, * * * but the taxpayers did not contemplate a saving when they paid their money. Mr. Ashley ought to have learned a lesson from them. Nearly half a million dollars has been recently voluntarily contributed for the relief of our sick and wounded soldiers. To imagine that the people who performed such an act of patriotic generosity would sanction such shaves as

[18] Annual Report of the State Treasurer, 1862, pp. 26-31.

Mr. Ashley has of late been indulging in is an evidence of the most extraordinary moral strabismus that has ever come under notice. We feel humiliated at the course of our State Treasurer. * * *"

Cheesman, however, was finally compelled to submit to the tender of the greenbacks, and accepted them on February 26, 1863. The *Evening Bulletin* of that date declared that,

"By this swindle the State has made a profit of 10% on the transactions (the greenbacks having been bought some months ago) and the Government has lost 50% on her claim. The State is then entitled to no credit for good financiering."

When the Senate and Assembly committees reported their findings to their respective bodies, there was a prolonged and heated debate, but nothing of any consequence resulted. All that the Legislature finally decided to do about the matter was to hand over to the State's fund for military recruiting the amount of money which Ashley had saved by the use of greenbacks. Ashley subsequently resigned.

The collection of the State's quota of the Federal direct tax afforded no end of excellent opportunities for the enrichment of the tax collectors themselves. Wherever possible they collected the tax in gold and silver coin, and then personally bought greenbacks at a discount and handed the latter to the Federal government, pocketing an amount of money equal to the discount prevailing on the legal tenders. The newspapers openly accused the United States Tax Collector for the Northern District of California of "making a good thing for himself" out of the practice referred to. The *Evening Bulletin* of January 10, 1863, urged that,

"If Secretary Chase does not promptly remove every Tax Collector who receives gold and pays the Government in greenbacks, then the Secretary is himself no better than a common swindler. There is no reason to have such an opinion of the able Secretary, and hence there is every reason to expect a prompt removal of De Long if he has been doing what the *Union* charges him with. If he is disposed to steal himself rich it stands him in hand to improve his time."

De Long, the United States Tax Collector for Northern California, replied, however, that he had received no gold from his deputies, nothing but greenbacks, and also that he was powerless,

and had no authority to prevent them from trading gold or silver coins for greenbacks. Naturally this statement did not appease the public, for after all it appeared to be nothing other than an open confession of the existence of a sanctioned form of graft.

The legal status of the greenbacks was still in doubt in California. The State Supreme Court had only decided that they could not be used for the payment of State taxes. Outside of that one decision there was no statement of an authoritative or official character to guide the people in their acceptance or rejection of the notes. San Francisco merchants, however, felt the necessity of acting outside of the law for the purpose of protecting their own financial interests. During the last part of October and the early part of November, 1862, they held a number of meetings and finally on November 8, adopted a resolution to the effect that they would not pay out or receive the legal tenders at any but the market value. It was their solemn and expressed intention to adhere to gold as a standard. The agreement, which they signed, also contained a statement to the effect that, "If any refuse, or after agreeing to pay for goods in gold, pay in greenbacks at par instead, then his name will be entered in the black book and the firms all over the State who have entered into the agreement will be notified so that whenever he may thereafter deal he will have to pay for his goods in yellow gold *in advance.*" They were determined to prevent the greenbacks from obtaining a hold upon the channels of trade within the state.

As the weeks and months passed, considerable discussion ensued as to whether or not it was legally possible to avoid the use of the notes by insisting upon an oral or written contract to pay in "hard money." There was some doubt as to the enforceability of such a contract inasmuch as Congress had made the greenbacks legal tender in the payment of all debts, public and private. When the State Legislature met in 1863, a number of bills were introduced bearing upon this and related matters. On January 29, 1863, S. G. Whipple, of Humboldt, brought forward a measure in the Assembly, which aimed to make "Legal Tender Notes and other Notes of the United States receivable for Taxes and other dues." The San Francisco *Mercantile Gazette and Prices Current* on February 10, 1863, in commenting upon this proposed measure declared that,

"It is to be hoped that our Legislature will not act in regard

to the above bill without the most careful and serious consideration. Should it unfortunately become a law, the whole basis of property valuation throughout the State must be raised at least 60 per cent, or the ratio of taxation must be increased in like proportion to meet the present depreciation, saying nothing of the future. Moreover, the salaries or pay of all persons in the service of the State must be similarly augmented. It is idle to attempt to force up such issues by legislation; all past experience has proved this; therefore, should the reception of this depreciated paper for taxes be determined upon, due allowance should be made for its inferior value as compared with the commercial standards, and for the uncertainty and downward tendency of that value even low as it now is. Who can tell how much lower it will go, or how much of it will be necessary to keep the wheels of State in motion? How is it possible to arrive at any certainty in State finances with a medium so unstable, or to avoid confusion and embarrassment."

Action on the proposal was indefinitely postponed by the Assembly on March 10, 1863, by a vote of 34 to 17.

On February 12, 1863, J. F. Swift of San Francisco introduced a resolution into the Assembly urging the Federal government to exempt California from the operations of the legal tender laws. The *Evening Bulletin*, although bitterly opposed to the use of legal tenders, nevertheless expressed the opinion that Congress could not help but refuse to sanction such a request. It pointed out that Article IV, Section 2, paragraph 1, of the Constitution of the United States held that, "The citizens of each state shall be entitled to all the privileges and immunities of citizens of the several states," and that California could not hope legally to be made an exception.[19] The *Alta California*, however, stood staunchly behind Swift and his resolutions and declared that California was merely requesting, not demanding, exemption. It claimed that Congress had passed many bills, the tariff for example, which had operated unequally in their effects upon the different states. Therefore, why could it not exempt California from the use of the greenbacks?

On February 19, 1863, the resolution came before the Assembly for discussion. Swift strongly urged its adoption on the ground that the acceptance of the greenbacks would vitally interfere with California's commercial and financial activities. The

[19] February 14, 1863.

resolution, however, was bitterly opposed by various members of the Assembly who otherwise were strongly in favor of gold payments. It was deemed to be unwise and inexpedient. One of the assemblymen stated that he would be just as eager to see a secession resolution passed by the Assembly as to vote for the proposed measure. Several speakers urged that California was part and parcel of the Union and should bear its share of the burden and expense of the war regardless of any inconvenience that might be imposed. A motion to postpone action indefinitely was carried by a vote of 49-11.

Swift's resolution having failed of passage, the next step was taken by Thomas B. Shannon of Plumas, who introduced a resolution into the Senate asking the Federal government to pay its California employes in gold. It was referred to the Senate Finance Committee and died in the committee room.

Gradually the idea seemed to prevail that something ought to be done by the State Legislature to make it possible for parties to contract to pay in a specified kind of money and to have such contracts legally enforceable. Reference has already been made to the suggestion proposed by the *Evening Bulletin* in 1862. On March 7, 1863, the *Daily Herald* of San Francisco stated that,

"As there are two kinds of money provided by Congress (it was said), let us confess the fact, and let the legislature recognize the distinction, too. Let contracts in gold and silver be enforced, as they are made in good faith. Let some proper statute give validity to agreements expressly made upon a specie basis, as well as to any other contracts which neither are wrong in themselves nor contravene the general policy. * * * Let gold and silver continue in California, as heretofore, the only standard in ordinary transactions, and let paper be used at its market price."

The *Alta California* on March 12, 1863, editorially raised the question as to the possibility or advisability of framing an act to provide for the specific payment of gold on contract, stating that "If any law can be framed to compel the performance of contracts according to their spirit and letter, it ought to be passed." The *Daily Herald* again, on March 16, referred to the proposal in the following manner:

"It is past all contention that contracts fairly made in view of all the circumstances ought to be enforced. If, then, contracts are made specific to be performed by the payment of gold, it seems

to us to be a duty on the part of the legislature to provide the remedy for their enforcement."

The people of the state demanded that something be done to insure the maintenance of gold payments. Finally, S. W. Sanderson of El Dorado proposed an amendment to a bill already before the Assembly, covering certain changes in the Civil Practice Act, which seemed squarely to meet the situation. Sanderson's amendment provided that regular contracts, which called for payment in any specific kind of money, should be enforceable before the courts, and that judgments in all cases of such contracts should be made payable and collectible in the kind of money specified. This amendment was introduced into the Assembly on February 24, 1863, but did not come before the House for debate until March 17.

Sanderson, in explaining the object of the bill, declared that the measure would make it possible for any person to agree to pay in any kind of money agreeable to both parties, whether it be greenbacks, gold, silver, Spanish doubloons, etc., and to have the terms of the contract enforced by law. It would not in any way interfere with the provisions of the Federal legal tender law. It would allow parties to a contract, if they so desired, to specify that even greenbacks could be used in payment and that such contracts would also be enforceable under the proposed measure. He felt that the act would do no more than to provide for the maintenance of common "justice and would make it impossible for parties to use a depreciated currency in paying an indebtedness contracted in terms of gold."

The proposed measure was condemned by some of the assemblymen as unwise, impolitic, and unconstitutional. It was also looked upon as being an assertion of state rights by a loyal State itself a party to a war caused by a dispute over that very issue. In spite of vigorous opposition, the measure was passed by the Assembly on March 17, 1863, by a vote of 42 to 18.

The bill did not come up for discussion in the Senate until April 13, 1863. It was then debated back and forth along lines similar to those which had characterized the discussion in the Assembly. It was, however, adopted by the Senate on the following day by a vote of 22 to 11, and was approved by Governor Stanford on April 27. The text of this notable measure, "The Specific Contract Law," which was subsequently sustained by the

State Supreme Court and by inference also by the United States Supreme Court, and around which centered a vigorous discussion for several years thereafter, was in part as follows:

"* * * In an action on a contract or obligation in writing, for the direct payment of money, made payable in a specified kind of money or currency, judgment for the plaintiff, whether the same be by default or after verdict, may follow the contract or obligation, and be made payable in the kind of money or currency specified therein; and, in an action against any person for the recovery of money received by such person in a fiduciary capacity or to the use of another, judgment for the plaintiff, whether the same be by default, or after the verdict, may be made payable in the same kind of money or currency so received by such person.

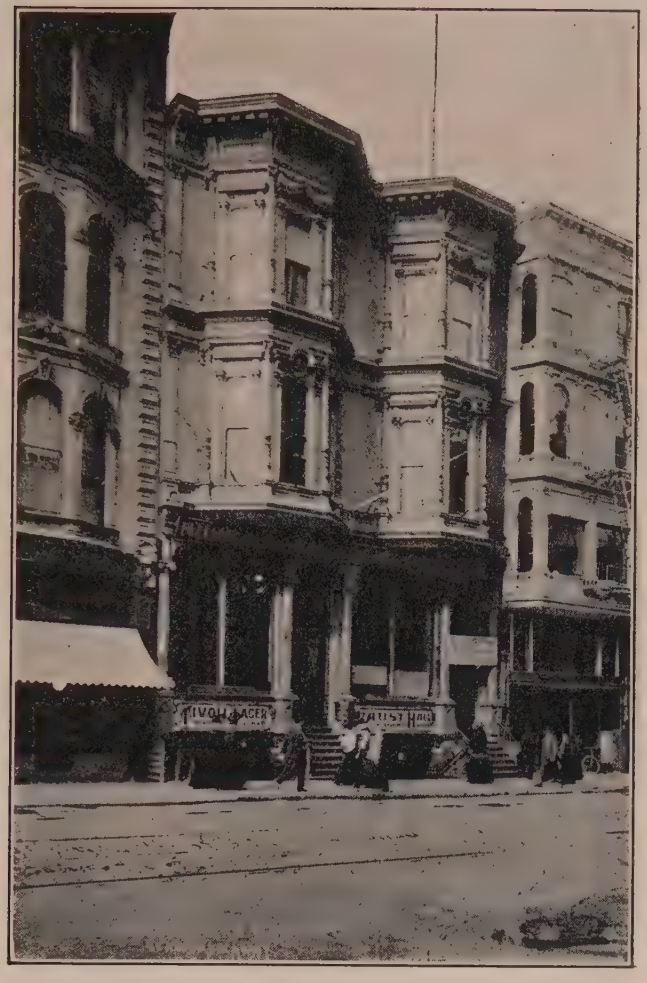
"The writ of execution shall be issued in the name of the people, sealed with the seal of the Court, and subscribed by the Clerk, and shall be directed to the Sheriff, and shall intelligibly refer to the judgment, stating the Court, the county where the judgment roll is filed, and, if it be for money, the amount thereof and the amount actually due thereon, and, if made payable in a specified kind of money or currency, as provided in section two hundred of this Act, the execution shall also state the kind of money or currency in which the judgment is payable. * * *

"If it be issued on a judgment made payable in a specified kind of money or currency, as provided in section two hundred of this Act, it shall also require the Sheriff to satisfy the same in the kind of money or currency in which said judgment is made payable, and the Sheriff shall refuse payment in any other kind of money or currency; and in case of levy and sale of property of the judgment debtor, he shall refuse payment from any purchaser at such sale in any other kind of money or currency than that specified in the execution. The Sheriff collecting money or currency in the manner required by this Act, shall pay to the plaintiff or party entitled to recover the same, the same kind of money or currency received by him, and in case of neglect or refusal to do so, he shall be liable on his official bond to the judgment creditor in three times the amount of the money so collected."[20]

As further showing the attitude of the members of the State Assembly towards the use of legal tenders, the following resolution was passed on April 15, 1863, by a vote of 36-24:

"RESOLVED, That G. R. Warren, the State Comptroller, and D. R. Ashley, State Treasurer, the first, in drawing warrants Numbers 210 and 735, and the latter, in exchanging coin into

[20] Statutes of California, 14th Session, Chapter 421.



FIRST HOME OF HUMBOLDT SAVINGS BANK,
SAN FRANCISCO

legal tender notes to make payments of California's quota of the Federal Direct Tax, transcended the limits of their authority and disregarded the plain letter of the law."

The constitutionality of the "Specific Contract Law" was immediately questioned and was carried before the State Supreme Court in the case of Carpenter *vs.* Atherton.[21] A contract to pay $500 in gold was involved. The debtor had failed to pay in gold as specified, and had instead tendered greenbacks. The creditor had refused to accept the same and had brought suit to enforce payment as specified in the contract. In July, 1864, the State Supreme Court upheld the law. The author of the Specific Contract Law, E. W. Sanderson, had been elected to the State Supreme Court in 1863, and sat in judgment on practically all of the legal tender cases subsequently brought before it.

The court declared that Congress had made gold coin, silver coin, and greenbacks, all three, legal tender, but the Legal Tender Act of February 25, 1862, had recognized certain cases in which the greenbacks could not be used, i. e., in payment of duties on imports and in payment by the Federal government of interest on its public debt. By making these exceptions the Federal government had not discredited its own notes. Under the Specific Contract Law, so the court held, any individual had the right to contract for the payment of any of the three recognized kinds of legal tender money, and this right was enforceable before the courts. It also pointed out that the Specific Contract Law created no new rights but merely protected the individual in a right which he already possessed. In rendering its decision the court also laid down the following interesting principle which it consistently followed in all of the later cases:

"Whatever, in the estimation of men engaged in monetary transactions, may be the difference in value between gold and silver money and the paper currency of the Government of the same denominations, we cannot say judicially that a gold or silver dollar is of greater or less value than a United States note of the same denomination, and we doubt if a case could be presented to a Court of justice which would authorize evidence of a difference in the value of the two kinds of money. A Court would be placed in an anomalous and absurd predicament in listening and giving heed to evidence designed to establish as a fact that one dollar is worth more or less than another."

[21] 25 Cal. 564.

At the same session, the State Supreme Court was also called upon, in the case of Lick *vs* Faulkner,[22] to pass upon the constitutionality of the Legal Tender Act itself. Faulkner owed Lick $450 for the rental of a store building. There had been no agreement as to the character of the medium of exchange in which the rent was to be paid. Faulkner tendered the requisite sum in greenbacks, which Lick refused to accept. The constitutionality of the Legal Tender Act was brought into question, and in its decision, the State Supreme Court sustained the right of Congress to pass the measure and to make the greenbacks legal tender. In the case of Kierski *vs.* Mathews,[23] a question arose over the method of making payment on two promissory notes dated May 17, 1862, which contained no statement as to the kind of money to be used in settling the obligation of the debtor. The latter, naturally, tendered greenbacks, and the State Supreme Court upheld his action as being legal, owing to the absence of any contract to the contrary. In its decision it also reaffirmed its belief in the constitutionality of the Legal Tender Act. In Curiac *vs.* Abadie,[24] the court again sustained the Legal Tender Act of February 25, 1862. A lower court had held that inasmuch as the debtor had received gold he should be compelled to repay in the same medium or its equivalent. The State Supreme Court, however, maintained that even though a loan had been made in gold, where there was no contract to repay in gold, the debtor could use legal tenders, silver, or gold, in satisfying his obligation. At that time greenbacks were worth about 60 cents on the dollar in San Francisco. Such decisions naturally went hard with the creditor class.

At the same session, the court held in the case of Galland *vs.* Lewis,[25] that the Specific Contract Law was not in conflict in any manner whatsoever with the State Constitution. Lewis owed the plaintiff $782.92 on a promissory note dated September 1, 1862, payable on October 15, 1862, in "gold coin." Lewis, however, tendered greenbacks, which were refused. The court held that a contract to pay in gold was payable only in that

[22] 25 Cal. 405.
[23] 25 Cal. 593.
[24] 25 Cal. 502.
[25] 26 Cal. 47.

metal, regardless of when the contract was entered into. It had in fact been drawn some five months before the passage of the Specific Contract Law. A somewhat similar set of facts was presented to the court in the case of Otis *vs.* Haseltine (October, 1864),[26] and the court reaffirmed its previous decision in the case of Galland *vs.* Lewis. In People *vs.* Mayhew,[27] the court held that land sold at a sheriff's sale, if no particular kind of money were specified, could be redeemed in legal tender notes. In Gann *vs.* Bond (August, 1864),[28] the court merely reaffirmed its decision in the case of Lick *vs.* Faulkner.

At the October, 1864, session of the State Supreme Court three decisions, in addition to that of Otis *vs.* Haseltine already mentioned, were handed down concerning legal tenders. In Magraw *vs.* McGlynn,[29] the plaintiff had loaned D. C. Broderick $10,500 on July 1, 1858, but in the contract there was no mention made of any particular kind of money in which the obligation was to be repaid. Broderick was killed in a duel with Terry. The plaintiff had refused to accept legal tenders from the executor of the estate, claiming that the latter had received gold from Broderick's debtors and actually had the gold on hand with which to make the requested payment. The court held that, inasmuch as there was nothing in the contract relative to the specific kind of money in which payment was to be made, gold did not have to be paid.

In Reed *vs.* Eldredge,[30] the plaintiff had brought an action to recover money under a judgment in a lower court on a note for $1,059 and costs, which the lower court had ordered paid in "current United States gold and silver coin only." The State Supreme Court in reviewing the matter held that inasmuch as there was no contract to pay in a specific kind of money, the lower court erred in annexing "to the judgment an order specifying the kind of money in which judgment must be paid." No court could grant more than was specified in the judgment. In Lamping *vs.* Hyatt,[31] the court held that a lower tribunal had erred in award-

[26] 27 Cal. 81.
[27] 26 Cal. 656.
[28] 1 Cal. Unreported 151.
[29] 26 Cal. 421.
[30] 27 Cal. 347.
[31] 27 Cal. 99.

ing a judgment payable in "gold coin," when the plaintiff had only asked for "money." It also declared that if a promissory note contained the phrase "value received in gold coin," but said nothing as to the specific kind of money in which payment was to be made, judgment should not be rendered payable in "gold coin."

In the latter case the contract actually called for payment in gold coin, but if not paid in gold coin, "then payable for face value and an additional sum as may be equal to the difference in the San Francisco market between such gold coin and the paper currency of the United States." It will be noted that the latter clause did not specify any particular kind of money as an alternative. It did not call for payment in "legal tenders at their gold value." The court, therefore, held that legal tenders, gold, or silver could be used in making the necessary payment.

In January, 1865, the State Supreme Court, in deciding the case of Higgins *vs.* B. R. and A. W. & M. Co.,[32] held that greenbacks might be used in paying debts contracted before the passage of the Legal Tender Acts, provided there had been no contract to pay in gold or silver coin. The court again definitely stated that it could not rule that a greenback dollar was worth more or less than a dollar of any other kind of money. It declared that, "Were we to undertake to discriminate between one kind of lawful money and another, in cases where neither of the parties contracting nor the laws of the country have made any distinction between them, we should be involved in an inextricable absurdity, besides which our judgment would not be an exposition of the laws as we find them, but would be an exercise of legislative power abrogating the Acts of Congress."

In April, 1865, the State Supreme Court decided the interesting case of Lane *vs.* Gluckauf,[33] which involved a peculiar sort of monetary contract. That contract, entered into on August 4, 1863, called for the payment of $2,843 in gold coin, or if not in gold coin then in addition to the original sum involved "such further amount and percentage as may be equal to the difference in value in the San Francisco market between such gold coin and paper evidence of indebtedness of the States or the United States, that are or may hereafter be made a legal tender in payment of debts by laws of this State or the United States."

---

[32] 27 Cal. 153.
[33] 28 Cal. 289.

CORNER OF MARKET AND POWELL STREETS, SAN FRANCISCO, 1866
Present site of Bank of Italy Head Offices.

The Court held that in this instance there was a contract to pay in gold or in legal tenders at their gold value; also, that when a note is payable in either greenbacks or in gold, the court has the legal right to order payment to be made in terms of either kind of money, just as the court may see fit. In this case the court also felt called upon to justify its stand in so consistently upholding the terms and the intent of the Specific Contract Law. It said that the latter was intended "to secure on the part of all citizens an honest observance of the terms of their contracts and to prevent them, so far as it could be legally done, from availing themselves of a legal measure of public necessity to work a moral and a private wrong."

In Vilhac *vs.* Biven (July, 1865),[34] the court ruled that a tender of greenbacks in payment of a note that had been drawn payable in "gold coin" was not a legal discharge of the debt.

In the case of Reese *vs.* Stearns (October, 1865),[35] the State Supreme Court was called upon to interpret another type of contract in which the lender had attempted to safeguard his interests by specifying that "all payments of principal and interest * * * shall be made in gold coin of the United States of America, of present weight and fineness, or the equivalent of such gold if paid in legal currency." A lower court had held in the light of the above contract, that the mortgaged property of the defendant should be sold "for United States gold coin, or its equivalent at the time of sale, or previous payment, or redemption in satisfaction," etc. The contract had been made on November 12, 1862, some months before the enactment of the Specific Contract Law, but the State Supreme Court by inference declared that in spite of that fact, if it had been drawn payable in gold coin, the court would have upheld it as being payable in gold coin. However, in this particular case, the note merely said "gold coin, or its equivalent." The court maintained that legal tender notes were recognized by law as being the equivalent at face value in gold, and that it could not go behind the law as enacted by Congress. It asked, "Where are we to find the yardstick by which to measure the comparative values of the two different kinds of currency, which the law says are equal, but which in the commer-

[34] 28 Cal. 410.
[35] 29 Cal. 273.

cial world are not equal, and the relative values of which are not the same in any two cities in the country?"

In January, 1867, in the case of Fox *vs.* Minor, the State Supreme Court was again compelled to overrule a decision by a lower court in the matter of gold payments. In fact, it was quite customary for the lower courts to write into their decisions the requirement that payments be made in gold, even though there was a possibility of the State Supreme Court ruling otherwise. Throughout all of the decisions of the latter, however, there runs the same logical and clearly sustained point of view that had been laid down in the earliest cases. In this particular instance, judgment had been rendered by the lower court against the guardian of the estate of a minor, and had been made collectible in gold from the sureties of the guardian. The bonds that had been supplied by the latter had not been drawn payable in gold or in any specific kind of money. It had been argued before the court that inasmuch as the guardian had been appointed and the bond posted at a time (May 22, 1861) when greenbacks were not in circulation, and when only gold was the standard money, there was the inference at least that gold should be payable when the sureties were called upon to make good the default of the guardian. The lower court had held that such should be done. The State Supreme Court, however, declared that payment could be made in legal tenders, gold, or silver, because there was no contract to pay in any particular kind of money. Payment in legal tenders at that time caused the minor to lose approximately one-third of the estate.

In Beaudry *vs.* Valdez (April, 1867)[36] the State Supreme Court held that a tax due for an assessment levied for the purpose of improving a street in Oakland might be assessed upon a gold basis and collected in gold coin. Later in the year (October, 1867), the court again reversed a lower court, which had held that two notes, one payable only in United States gold coin, and the other in United States gold or silver coin, were both payable in gold coin. The State Supreme Court maintained that the contract which specified "gold and silver coin" was payable in gold and silver coin, and that the one which specified "gold coin" was payable only in gold coin.[37]

---

[36] 32 Cal. 269.
[37] Burnett vs. Stearns, 33 Cal. 468.

One of the most unique cases to come before the court during this period was that of Tarbell *vs.* Central Pacific Railroad Company of California, decided in January, 1868.[38] Tarbell, as a passenger on a train of the Central Pacific Railroad Company, had offered to pay his fare in greenbacks. The conductor, however, demanded gold or silver, and when it was not forthcoming used forcible means to eject Tarbell from the train five miles distant from the point at which he had boarded it. Tarbell claimed that greenbacks could be legally tendered in payment of train fares under such circumstances. He was sustained by the lower courts. When the case came before the State Supreme Court, it likewise declared greenbacks to be legal tender under the conditions cited.

The last case to come before the State Supreme Court was that of Belloc *vs.* Davis,[39] decided in July, 1869. Even at that late date the Californians were still questioning the constitutionality of the Legal Tender Acts as passed by Congress. The State Supreme Court again sustained the Federal law. It also reaffirmed its earlier decision to the effect that a debt secured by note and mortgage and created before the passage of the Legal Tender Act of February 25, 1862, could be paid in greenbacks, provided there had been no agreement to pay in either gold or silver coin.

The consistent line of decisions handed down by the State Supreme Court of California relative to the legal tender notes and the Specific Contract Law may be summarized as follows: The Specific Contract Law was constitutional. Contracts made payable in any specific kind of money and entered into either before or after the passage of that law had to be paid in the kind of money specified, even though the Specific Contract Law itself did not apply to contracts made previous to its enactment. Where there was no promise to pay in a specified kind of money, regardless of when the contract was drawn up, payment could legally be made in greenbacks. Taxes were not debts, and legal tender notes could not be used in payment thereof. Finally, Congress had the constitutional right to declare greenbacks legal tender in the payment of public and private debts.

With the passage of time, certain questions concerning the

[38] 34 Cal. 616.
[39] 38 Cal. 254.

legal tender notes found their way before the United States Supreme Court. It may be well to summarize briefly some of the more outstanding cases. In some instances the Federal Court followed the views of the California Supreme Court; in others it pursued a different line of reasoning. In Lane County *vs.* Oregon (1868),[40] it held that taxes were not "debts", and that greenbacks were not legal tender in payment thereof. In Bronson *vs.* Rodes (1868),[41] a contract calling specifically for payment in either gold or silver was held not to be discharged by the tender of greenbacks. A similar decision was handed down in Trebilcock *vs.* Wilson (1871).[42] In Butler *vs.* Horwitz,[43] the United States Supreme Court not only held that contracts made payable in a specific kind of coin were enforceable, but also that interest thereon had to be paid in the same kind of money. It was not until 1869 that the court was called upon to decide as to the constitutionality of the Legal Tender Acts. In the case of Hepburn *vs.* Griswold,[44] by a vote of three to four, it maintained that Congress did not have the constitutional right to make the notes legal tender for any debts or obligations contracted before the enactment of the law of 1862. It did not, however, pass upon the right of Congress to make greenbacks legal tender for contracts entered into after that date. This decision was most unpopular. Subsequently, however, the makeup of the court was changed by the resignation of one of the judges and the creation of a new judgeship by Congress. When the general question as to the constitutionality of the Act then came before the court,[45] it was held that the Act applied to all contracts regardless of when they were entered into, and that the passage of the law was a legitimate exercise of power by Congress. The decision was partly justified by the court on the basis of the necessities of war conditions, etc., but later, in the case of Juilliard *vs.* Greenman (1884),[46] it upheld the right of Congress to make the greenbacks

[40] 7 Wallace 71.
[41] 7 Wallace 229.
[42] 12 Wallace 687.
[43] 7 Wallace 268.
[44] 8 Wallace 603.
[45] Legal Tender Cases, 12 Wallace 457.
[46] 110 U. S. 421.

legal tender in the payment of private and public debts, not only in time of war, but also in time of peace.

Although none of the legal tender cases decided by the State Supreme Court of California found their way before the United States Supreme Court, nevertheless there was an interesting case that originated in California, which subsequently was passed upon by the latter judicial body. Congress had enacted an internal revenue law in 1866, modifying in part the Federal taxes on gross receipts of corporations. The Pacific Insurance Company of California had made its returns to the internal revenue assessor in terms of gold and had computed the amount of its taxes on a gold basis, but had tendered payment ($5,375) in greenbacks, thereby saving approximately $2,000. The assessor, however, had proceeded to convert the gold income returns of the company into greenback income returns. As greenbacks were then at a discount in terms of gold (i. e., one gold dollar was worth considerably more than one greenback dollar), it meant that the assessor greatly increased the income figures of the company upon which taxes were to be paid, and hence had accordingly increased its taxes to $7,365. The insurance company protested, and carried the case to the highest tribunal of the nation. The latter held that Section 9 of the Internal Revenue Act of July 13, 1866, required that the returns be made in terms of greenbacks for purpose of assessment, but that where they had been made in terms of gold, they were to be converted into greenbacks by the assessor, so that taxes might be uniformly assessed throughout the country on a greenback basis.[47]

The California public as a whole had been enthusiastic over the enactment of the Specific Contract Law, but it was even more jubilant over the manner in which the State Supreme Court had, from the very first, staunchly upheld it in the various cases argued before that body. Naturally, there had been serious doubts regarding the constitutionality of the act. Necessarily, such doubt temporarily held up and interfered with a number of financial transactions in the state. The San Francisco *Mercantile Gazette and Prices Current* of August 22, 1864, in commenting upon the first cases decided by the State Supreme Court, declared that,

"These decisions will relieve the public mind of a cloud of uncertainty. The Specific Contract Law has failed to accom-

[47] Pacific Insurance Company vs. Soule, 7 Wallace, 433.

plish its object up to this time chiefly because of the prevailing doubt as to its validity. Upheld by the Court, it will release a large amount of capital and enable those who must borrow to get accommodation at less discouraging rates. The stringency of the money market will be relaxed as capitalists regain confidence in their ability to recover the amount they may loan, and individuals who have been disposed to hoard their funds see safe opportunities to make their money grow."

In spite of the decisions above referred to and the attitude of the public in general regarding the settlement of obligations in gold, there were a number of instances in which attempts were made to make payments in greenbacks at par. In the newspapers of the time one finds advertisements running throughout the period of 1863-69 calling the attention of the public to certain firms or men who had used greenbacks in one connection or another. The following are typical:

> "Greenbacks, Greenbacks.
> Take Notice that Thomas Wade, Dentist, 26 Montgomery street, has paid me this day $253 in Greenbacks amount due me for money loaned in gold, material furnished, gold plate, and gold foil, and services rendered as an assistant dentist.
> E. Belle."[48]

> "Geo. Held employed at San Francisco Bath House No. 636 Washington Street and residing at present on Tehama near 3rd st. this day paid me his Grocery Bill in Greenbacks at par.
> G. H. Gobener,
> S. W. Cor. of 3 & Brannan st.,
> San Francisco, Dec. 6, 1864."[49]

> "Notice
> D. G. Lewis, printer, paid his Board Bill in Greenbacks.
> C. E. Davison, 606 Folsom Street."[50]

The supremacy of those who had demanded and obtained the Specific Contract Law was, however, not long to remain unquestioned. When the Legislature again met in the spring of 1864, a bill was introduced calling for the repeal of the measure. Immediately a disposition was manifested by some of the capitalists

[48] *Evening Bulletin*, December 26, 1864.
[49] *Alta California*, January 4, 1865.
[50] *Alta California*, January 1, 1869.

of San Francisco to restrict loans because of the uncertainty as to what the Legislature might do. In fact, throughout the state considerable anxiety prevailed in regard to money matters. Meetings were held, and remonstrances, petitions, letters and telegrams flooded the legislators, urging the retention of the law. February 4, 1864, a mass meeting was held in San Francisco, which almost resulted in a riot. Platt's Hall was packed with several thousand people who most enthusiastically adopted resolutions in favor of the Specific Contract Law. When one or two members of the audience voted "No," they were greeted with yells of rage and cries of "Hang them," "Kill them," etc.

Cheesman, the Assistant Treasurer of the United States, who had figured prominently in the controversy over the payment of the State's direct tax in legal tenders, was present and requested the privilege of addressing the audience. He was met with determined opposition because it was known that he was opposed to the Specific Contract Law. Hisses and cat calls made it impossible for him to be heard. In order to calm the audience, the band played a few selections, whereupon he again attempted to address the meeting. Tumult reigned, however, and the meeting adjourned. Cheesman, being in front of the hall, was about the last to reach the exit. He was met in the corridors and on the street by a huge "reception committee," which roughly jostled him and made threats against him. Friends gathered and attempted to protect him from the crowd. As the situation became more and more threatening, they were forced to take refuge in a nearby drug store, where they were later rescued by the chief of police and a squad of policemen.

Cheesman, however, was a man of energy and courage, and in order to offset, if possible, the effects of the resolutions which descended like an avalanche upon the Legislature, he, as a Federal official, deemed it his duty to rise to the defense of the Federal government. On February 5, 1864, he wrote to the governor, requesting permission to use the State Assembly chamber at Sacramento for the purpose of presenting arguments for the repeal of the Specific Contract Law, hoping thereby to influence the legislators then in session. Permission was accordingly granted. At the same time Assemblyman Campbell and State Senator Roberts wired Secretary of the Treasury Chase, asking:

> "Is California's gold law against national policy? Repeal proposed. Your opinion is important. Answer."

Secretary Chase replied that:

> "I am clearly of opinion that the California gold law is against national policy, and I shall be much gratified to see California declare herself in favor of one currency for the whole people by its repeal."

This reply was greeted with cheers by some of the assemblymen, and much was made of it by the advocates of the repeal of the law.

On the evening of February 8, 1864, Cheesman's scheduled meeting was held in the Assembly Chamber at Sacramento, with ex-Governor Stanford presiding. During the course of his address Cheesman very fully and most ably discussed the steps leading up to the enactment of the Legal Tender Law. He touched upon the necessity of financing the war against the Confederate States in the easiest possible manner, and insisted that the Californians had been and were disloyal in their refusal to assist the Federal government in its hour of need. He vigorously drove home his remarks with such statements as, "Even the great State of California, through her financial servant, the State Treasurer, purchased the much reviled 'greenbacks' of the Shylocks of San Francisco to meet California's quota of the direct tax."

He characterized the decision of the California Supreme Court in the case of Perry *vs.* Washburn as a "mere quibble." He declared that the opposition of the people and the State Legislature to the greenbacks was but the entering wedge for seditious thoughts in other directions; in fact, it was an encouragement to those who were whispering about, and urging the desirability of, a Pacific republic. Greenbacks, he claimed, were needed to pay for the fortifications at San Diego, San Pedro and Monterey. "An enemy," he maintained, "might land at Monterey and hold the mountain fastnesses south of San Francisco, and consequently all of the southern portion of the State, and with a few vessels upon our coast drive all our commerce from our Golden Gate. Where, then, would San Francisco be? Imploring the General Government to send a few more greenbacks to Assistant Treasurer Cheesman."

MARKET AND POST STREETS, SAN FRANCISCO, 1868

Present site of the Wells Fargo Bank & Union Trust Company, and the Crocker-First National Bank.

He hoped that California would "repeal this obnoxious special contract act, recognize the laws of Congress as the supreme law of the land, receive the currency of the government at par, invite capital and capitalists at the East and elsewhere to come with their greenbacks, and when this war ends, as it will soon do, population which we so much need will come to us, for everything invites it. * * * Let us have one country, one flag, one currency, one united, great, patriotic, loyal people."

Cheesman was continually interrupted by expressions of disapproval from members of the audience. At times the chairman had difficulty in quieting the crowd. It was frequently necessary for the sergeant-at-arms to take a hand at maintaining order. The address seemingly had no influence whatsoever upon the attitude of the members of the State Senate, before which the bill calling for the repeal of the Specific Contract Law was then pending. When presented for final action, on February 10, it was defeated by a vote of 24 to 14.

When the San Francisco Chamber of Commerce held its annual meeting on May 10, 1864, its president, James de Fremery, who, it will be remembered, was very active in local banking circles, declared himself staunchly opposed to the campaign that had been waged to repeal the Specific Contract Law. He felt that unless the law was retained, California would immediately see the establishment of a paper money standard among her citizens. He stated that,

"For a time the friends of paper money urged that patriotism prompts us to adopt it, but it was shown that this argument has no foundation in fact.

"We respect the Legal Tender Notes and use them for several purposes. In our market they generally command a higher price than in the East. And of our patriotism and loyalty California has furnished abundant proof, but it is difficult to perceive why she should not be at liberty to use one legal tender in preference to another where both have been established by the same authority as mediums of circulation throughout the United States."

The sentiments contained in de Fremery's annual report were later published in the form of an address, adopted unanimously by the San Francisco Chamber of Commerce and signed by leading firms, trade unions and business men of that city. In this, the San Francisco Chamber of Commerce was also joined by business firms of Sacramento, Marysville, Stockton, San Jose, Napa,

and Nevada City. The working men of California had also become thoroughly aroused over the attempted repeal and protested most vigorously against it. The San Francisco *Morning Call* of February 23, 1864, declared that the Legislature would undoubtedly have wavered in its loyalty to specie payments had it not been for the united opposition of Organized Labor.

Considering the circumstances, one might imagine that the advocates of the legal tenders, having been so roundly and so consistently defeated in their attempts to induce Californians to use the depreciated paper money, would have desisted in their efforts. But not so! Succeeding legislatures, for many years, spent much of their time in discussing the greenbacks and matters relating thereto.

During 1865, which was an election year for California, the campaign both for and against the greenbacks was just as energetically waged as though there had been no Specific Contract Law and no court decisions. The opinion of Secretary of the Treasury Chase had been used in the State Assembly in 1864 in connection with the attempt to secure the repeal of the Specific Contract Law. In 1865, the opinion of his successor, Secretary McCulloch, was likewise sought and used. A letter written by him under date of March 28, 1865, was widely published and for the most part roundly condemned by the newspapers of California. It was in part as follows:

"The decision of the Supreme Court of California, that United States notes could not be received for taxes, and the subsequent act of the Legislature of the State, which seemed like an attempted nullification of the national authority making these notes lawful money, have undoubtedly done much mischief to the State, and not a little to the country generally.

"Whatever opinions may have been entertained in regard to the propriety or necessity of the issue of these notes, and making of them a legal tender * * * it was, in my judgment, the duty of California to conform her policy to this determination. The legal tender acts were war measures; and California could not place herself, as she has done, apparently, in opposition to these war measures, without indirectly assailing the national credit, and casting her influence in no small degree on the side of those who, with bloody hands, were attempting the dismemberment of the Union. That such was the intention or the spirit of the people in California, no one supposes. Truer or more loyal men than the majority of the people of that State are not to be found in any other State of the Union. Unfortunately, they per-

mitted their preference for a metallic currency, and the influence of the bankers, to place the State in opposition to the financial policy of the country, and to prevent her, in this particular, from being in hearty sympathy with the other loyal States.

* * * *

"No country can prosper for any considerable time where money commands so high a rate of interest as it does in California, and nothing would tend more directly to reduce that rate of interest than the introduction of a sound paper circulating medium.

"Paper money has been found to be a necessity in all commercial countries, and especially in the United States; and what is true elsewhere must be true in California. With her splendid climate, her fertile soil, and her inexhaustible mines, her wealth and population ought to have been more rapidly increased than they have been for some years past. With her great advantages what has prevented her from receiving a constant flow of immigration from the other States? What has prevented her from being a commercial and manufacturing State? What is now repressing the enterprise of her enterprising people, but the fact that money is dear, and credit, to a great extent, ignored?

"California needs a well-regulated credit system; she needs a paper circulation to quicken enterprise and give impetus to business; she needs a lower rate of interest; she needs to be cured of the mania for an exclusive metallic currency; in a word, she needs, in addition to the recognition of the United States notes as a currency, a sound banking system—such as is provided for by the national currency act—and she will linger in the career of greatness and prosperity until these needs are supplied."[51]

The *Alta California* was unrelenting in its attacks upon those who still wished to introduce the greenbacks. In its issue of June 21, 1865, it said,

"Those treasury parasites who, at the East, have made colossal fortunes by means of circulating paper among the people, now have agents on this coast, agitating to open the door for huge masses of that paper with which to deluge this State in exchange for gold and the hard-earned produce of the people. If two or three millions of dirty, defaced and counterfeit shinplasters, raked out of the gutters of New York, can be thrust into the hands of the hard-working people of this State in exchange for their gold, a very handsome profit can be realized under the cry of 'loyalty to the Government'."

[51] Bankers Magazine, May, 1865, pp. 914-915.

It again assured the people that the Specific Contract Law,

"has not in any way opposed the promising, issuing, paying, or circulating of paper money in any shape. It simply says, 'if you promise paper, pay paper,' 'if you promise gold, pay gold.' In short, it simply requires that contracts be kept honestly, in accordance with the behests of the Federal Constitution, which says: Article 1, Sec. 10, 'No State shall pass any law impairing the obligation of contracts.'

"If the State had passed a law allowing a man to meet a contract for pork with rotten turnips, or for gold with depreciated paper, it would clearly have disobeyed the Federal Constitution, which created Congress and governs its laws. There is nothing in this law to prevent a National bank from being established, and putting out its notes to any one who will take them."

It was claimed by those in favor of the greenbacks that there was a scarcity of capital in California; that interest rates were high; that immigration of new settlers was curtailed, and that those three matters had greatly interfered with the development of the State's resources. The use of the legal tender notes, it was urged, would remove those defects. The advocates of the Specific Contract Law, however, showed that just prior to its enactment, California had found it next to impossible to obtain money for productive purposes, but that immediately thereafter millions of dollars were to be had for almost any legitimate purpose.

There had been a continual influx of capital from the East for investment in mining and other properties amounting to untold sums attracted not only by the unusual prosperity of the state, but also because of the fact that investors were free from the risks of having to accept the fluctuating greenbacks in payment of principal or interest. Frequent allusion was also made to the investment of large amounts of foreign capital. The president of the San Francisco Chamber of Commerce, in his annual report of 1864, declared that,

"The passage of the law not only averted the calamity, but upon the faith of it, very considerable accessions of capital were brought to this country. Over $1,500,000 from foreign sources have been located here permanently, within little more than a twelve month, for banking purposes alone; while over $3,000,000 in gold from the Atlantic states have been placed in our securities and other property, and still greater amount but awaits our call and favorable opportunities for investment."

Two years later, the *Alta California* was moved to express itself in a similar vein. It declared that, "The banks and companies are overflowing with coin, seeking means of employing it. We are aware of many offers to send coin here from the East for employment, but it has been rejected."[52] It characterized California as a place of safety for the capitalist, the refuge of the industrious, and the paradise of the poor, all of whom were able to realize the great blessings of living in a land of specie payments. The advocates of specie payments also pointed out that there had been a tendency toward lowered interest rates. They also showed that instead of the Specific Contract Law having depreciated the greenbacks, it had actually appreciated them as was clearly evidenced by the fact that they were quoted in San Francisco at from 2 to 3 per cent higher on the dollar than in the eastern markets.

At the height of the political campaign of 1865, another huge mass meeting was held in San Francisco on the evening of August 4, in favor of the retention of the Specific Contract Law. The *Alta California* next day commented upon it as follows:

"The workingmen of this city assembled last night at Platt's Hall for the purpose of giving expression to their sentiments on a subject which has, during the last month or two, been generally discussed—viz., the repeal of the Specific Contract Law. The hall was densely packed—galleries, floor and all. It was on no occasion during the late Presidential campaign more completely filled.

"The meeting declared for a proposition so plain that the wonder is there ever could have been a controversy about it, viz., for the maintenance of the contracts. The Specific Contract Law simply provides that he who contracts to pay gold must deliver gold, and if greenbacks, then greenbacks. There is nothing in this law to prevent the introduction of paper money."

When the state political convention of the Union party was held in Sacramento in August, 1865, an effort was made by some of the delegates to have a resolution adopted urging the Legislature to repeal the debated measure, but the proposal was voted down by an overwhelming majority of the delegates present.

One must not surmise that the agitation for the repeal of the Specific Contract Law ended with the conclusion of the Civil War in 1865, or that the opposition of the Californians to the green-

[52] June 7, 1866.

backs ceased at that time. In December, 1865, the legal tender notes were worth about sixty-seven cents on the dollar. During 1866, they fluctuated between sixty-nine and seventy-nine cents, closing in December at about seventy-four cents. During the next few years the range was approximately as follows: 1867, sixty-nine cents to seventy-four cents, closing in December at the latter figure; 1868, seventy to seventy-four cents, closing at the latter figure; 1869, seventy-four to eighty-three cents, closing at the latter figure; 1870, opening at eighty-three cents and closing at ninety cents. From that time until towards the close of 1878, they gradually appreciated until they reached parity in December, 1878, and thereafter circulated on a basis of equality with gold and silver dollars. It was because of their depreciation and also because of the prejudice of the Californians against the use of the paper money that the opposition of the people of the state to the greenbacks continued unabated.

In the Legislature of 1866 another unsuccessful attempt was made to repeal the Specific Contract Law. Although the effort failed, it did, however, result in a three days' run upon the San Francisco savings banks, causing the withdrawal of nearly $500,000. Depositors felt that if the measure were repealed they would be paid in greenbacks, which were at that time worth about seventy-three cents on the dollar. So far as I have been able to ascertain this was the last attempt made by the opponents of specie payments to secure the repeal of this unique bit of monetary legislation. The people had deemed it necessary, as a means of protecting themselves against the fluctuating values of the greenbacks. The United States Supreme Court, however, in Bronson *vs.* Rodes (1869), held that such measures were legally unnecessary to secure the desired results. But nevertheless, the Specific Contract Law served its purpose well and amply justified the hopes of its originators by enabling California to be the only state in the Union to maintain a specie basis for its commercial and financial life.

In the minds of the Californians there was some doubt regarding whether or not *oral* contracts to pay in a specific kind of money could be enforced, as were written contracts, under the terms of the Specific Contract Law. It was not until March, 1868, however, that a bill covering the mooted question was introduced into the Assembly by T. H. Wand of San Francisco. The

author of the proposed measure declared that the merchants of the state had on their books many accounts contracted at gold prices which customers undoubtedly could pay off legally in greenbacks if they so desired, because merchants could not ask for a written contract every time they made a sale to a customer. In commenting upon the proposed method of relief, the *Alta California* of March 18, 1868, stated that,

"This is a hardship undoubtedly, but it is a question whether these debts could be collected in gold under any statute, so long as the legal tender law stands. It is not the custom of merchants to mention the price of an article in any specific currency, and if only express contracts can be enforced, then it would be necessary before selling any article, to say that the price is so much in gold.

"The dishonesty of paying gold debts in greenbacks is rare. The man who is found guilty of it is looked upon as little better than a thief; and among business men of any position it occurs so seldom that the possibility is scarcely taken into account. Out of a thousand implied contracts to pay gold, not more than one is paid in greenbacks. It is more common, as well as more reputable, not to pay at all. The failure to pay may be attributed to misfortune; the payment in greenbacks is charged to dishonesty."

The bill was defeated in the Assembly. The reader may remember, however, that about a year later the United States Supreme Court in Bronson *vs.* Rodes[53] decided that contracts to pay in specie were payable only in specie. The *Alta California* on March 18, 1869, in commenting upon this decision declared that "Express contracts may be either oral or written. The California Specific Contract Act provides for the enforcement only of contracts in writing, and thus the Supreme Court has gone further than our Legislature. Hereafter oral contracts for payment in a specific currency can be enforced as well as if they were written." However, no cases involving oral contracts ever came before either the State Supreme Court or the United States Supreme Court, so that the question as to whether or not oral contracts calling for payment in a specific kind of money could be enforced was never definitely passed upon by a court of law. But Californians were not willing to take any chances, with the result that the Legislature passed a bill, approved by the governor on March 12, 1870, which provided for the enforcement of both oral

[53] 7 Wallace 229.

and written contracts calling for payment in a specific kind of currency.

This measure included implied as well as expressed contracts. It became only necessary to prove that any specific money was mentioned, understood or agreed. Thus if the parties concerned were accustomed to deal exclusively in terms of greenbacks, when a contract was entered into by them for the payment of "so many dollars," the court was to infer that greenbacks were to be paid.[54] This act also required that in an action against any person for the recovery of money received by him in a fiduciary capacity or to the use of another, judgment was to be rendered in terms of the same kind of money or currency as had been received by such person.

During the legislative session of 1868, two bills were introduced, designed to prevent the circulation of greenbacks under any circumstances within the confines of the state. Both measures were deemed to be unwise and unconstitutional, and were openly opposed by the members of the committee to which they were referred. They did not obtain the support of the legislators.

Another matter, which again showed the temper of the opposition of the Californians to the use of the greenbacks, was the fact that shortly after they had been issued the Legislature passed a measure, approved by the governor on April 4, 1864, decreeing that all dues payable into the treasury of the State, or of any city or county in California, were to be paid exclusively in the gold and silver coin of the United States.[55] When the State Codes were adopted in 1872, this requirement was modified somewhat and incorporated therein in the following terms: "Taxes must be paid in legal coin of the United States."[56]

It was not until 1880, that the lawmakers of the State saw fit to recognize the actual legal tender quality of the greenbacks, and then only because the latter had attained parity with gold and silver dollars. On January 14, 1875, the United States Government had declared that it would resume specie payments on January 1, 1879. The greenbacks gradually rose closer and closer to parity, and about two weeks before the latter date they attained

[54] Cal. Stats., 1869, chapt. 192.
[55] Cal. Stats., 1864, chapt. 335.
[56] Political Code of the State of California, sec. 3888.

par. Under such conditions, California was prepared and willing to accept them, legally if not popularly, and consequently the State Legislature passed a bill, approved by the governor on May 12, 1880, which decreed that,

"All legal tender notes heretofore issued or which may hereafter be issued by the Government of the United States of America as legal tender notes shall be received at par in payment of taxes due or to become due to this state, or to any county or municipal corporation thereof and such notes shall be a legal tender for all debts, dues and demands by the citizens of this state."[57]

The law as it stands at present requires that,

"Taxes must be paid in legal tender or in money which is receivable in payment of taxes by the Government of the United States."[58]

Although the Californians had nothing to gain by the eastern states getting back to a specie basis, nevertheless, they had early expressed the hope that specie payments might be resumed as soon as possible. The *Alta California* on June 19, 1865, stated that,

"The war is over, and every State in the Union is now striving hard to return to a specie basis. Mr. McCulloch has recently published a letter, in which he said that his great labor for the future would be to accomplish that most desirable object. We are now in a position to say to the Financial Secretary of the Government, 'Mr. McCulloch, here is a State ready prepared to your hand. We have relieved you of the burden of bringing back our business to the specie basis. Nevada has followed our example, and Oregon likewise. Here are three States which require no assistance from you. Pray proceed with all speed in your herculean task in the other thirty-three, for when you have brought them up to our standard, prosperity will again dawn in this country'."

Through the resumption of specie payments in the East, California merchants stood to lose one of the easiest sources of large profits ever presented in the history of the state. When the greenbacks were issued and almost immediately fell to a discount, they realized that because California had remained upon

[57] Cal. Stats., 1880, p. 8.
[58] Approved April 21, 1919. Cal. Stats., and Amendments to the Code, 1919, ch. 85.

a specie basis they would be able to make considerable profit by purchasing goods in the East in terms of greenbacks and selling them in the West in terms of gold. As greenbacks depreciated, rates of exchange between San Francisco and New York were considerably affected. As the price of gold in terms of greenbacks rose in eastern cities, rates of exchange on those points fell in California. The eastern greenback dollar was cheap in terms of the western gold dollar. California merchants bought the cheap greenback exchange by means of gold, sent the exchange to the eastern forwarding houses, and imported large quantities of goods. Prices in the East rose because of the depreciation of greenbacks in those centers of trade, and although the California merchants had to pay more in greenbacks for eastern merchandise, nevertheless they actually bought at low prices, because of the premium which existed on their gold and because of the resulting lower rates of exchange.

With the gold dollar worth $1.72 in greenbacks in New York, a gold dollar taken in over the counter by a San Francisco merchant would purchase $1.72 worth of merchandise in the East Thus, if he ordered $10,000 worth of goods, he paid for it with $5,877 in gold. Sometimes these payments were made by means of exchange, and sometimes by the California importer taking his gold to the Assistant Treasurer of the United States and purchasing greenbacks to be forwarded to the eastern merchants. Henry E. Highton, in addressing the Society of California Pioneers on September 9, 1895, declared that the Civil War and the Specific Contract Law had enabled the merchants of the state to make "triple profits." Col. J. J. Ayres, one of the early editors of San Francisco, in his volume, "Gold and Sunshine," in commenting upon the situation, has written that,

"One result of this policy was undoubtedly to the general disadvantage. Our merchants flooded the state with goods bought at the East with greenbacks and sold here at apparently cheap prices for gold. The difference between the value of gold and greenbacks opened an immense margin of profit to the merchants, and although our people were buying their goods at prices which, on their face, were in keeping with those prevailing in the East, they were actually paying for them an extraordinary advance on those prices. Many large retail firms found this business so lucrative that they kept one of their members constantly attendant on the Gold Board in Wall Street to take advantage of the great fluc-

tuations that prevailed there in consequence of the good or bad news received from the operations of the hostile armies in the field. The fact that California repudiated greenbacks was, however, a source of much apprehension and great embarrassment to the Government at a crucial time in its grappling with secession, and it only served the cupidity of our traders by enabling them to 'milk' the community of its gold in order that they might reap exorbitant profits from their merchandise. It was a peddling advantage taken out of the throes of a great nation."[59]

Because of the discount on the greenbacks prevailing in the local market, and conversely because of the premium existing on gold in the east, exchanges in San Francisco on Atlantic points were greatly unsettled until during the closing months of 1878. Californians, being so far removed from the financial centers of the country, were unable to determine the trend of the market or to gauge the possibility of future developments. The San Francisco *Mercantile Gazette and Prices Current* of June 30, 1862, remarked that,

"Were the causes known here which have occasioned the rapid appreciation of Gold at the East, so that their continuance might be judged of, it would be easy to fix a rate for Bills; but under the uncertainties of the moment bankers are at a loss. A great and decisive victory, or some other event which in these unprecedented times cannot be foreseen, might cause the rate to drop as suddenly as it has risen. Prudence indicates a wide margin as the true policy until the matter is cleared by future advices. It were useless to name a rate—none has been fixed."

During the greenback era the exchanges between San Francisco and New York were, therefore, a continual source of difficulty to the Californians, as well as a source of considerable profit. When bills on New York were purchased with greenbacks the rate of exchange depended, naturally, upon the discount existing on the greenbacks in the local market, which in its turn was based primarily upon the extent of the premium on gold in the New York market.

In California, legal tenders were always quoted in terms of a discount as measured in gold, while in the Atlantic centers gold was almost always quoted in terms of a premium on greenbacks. In other words, in San Francisco, a greenback dollar, on a certain day, might be quoted as being worth $0.75 in gold, or at a discount

[59] Boston, 1922, pp. 182-183.

of 25 per cent. In New York, on that same day, if greenbacks were worth as much as in San Francisco, gold would be quoted as being at a 33⅓ per cent premium. In New York, greenbacks were par; in San Francisco, gold was par. The confusion on the part of the public regarding the practice of quoting in premium and in discount was, therefore, an irritating factor in the situation. Drafts payable in New York in legal tenders were mostly drawn in San Francisco with an eye on the probable rate of the premium on gold in New York at the time the exchange would be presented for payment.

Between San Francisco and London, however, no difficulty was encountered in exchange transactions because both points remained on a gold basis and conducted all their financial transactions in terms of the same basic metal.

In eastern communities, where the greenbacks were universally used, it was customary for merchants and bankers to keep their accounts in terms of both gold and greenbacks. It was not until 1867 that the Bank of California advertised that it would open accounts for depositors in legal tenders and also in specie, and that it would agree to pay out either kind of money on checks drawn expressly therefor. The banking house of Sather & Company almost immediately announced that it would do likewise. It is not known how universal this practice became among the San Francisco banks. So far as the records go, I feel safe in assuming that the merchants, on the other hand, never kept their accounts in anything but specie.

It is to be hoped that in the light of the statements made in this chapter, there will be no ground for the oft repeated remarks that California was free from greenbacks, that the citizens of the state never saw any greenbacks, that the greenbacks were never used in California, etc., which statements are often found in discussions dealing with the subject of paper money in California. It is a fact that during the period of the Civil War the Federal government annually paid out in California from ten to thirteen million dollars in greenbacks, but only a very small part of that huge sum ever got out into the channels of trade. The greater portion was absorbed in the exchanges and sent back to the East without ever passing through more than one or two hands. They were primarily used in settling accounts in the East, where they were commonly accepted at their face value. In

California, they were employed to a negligible degree in meeting everyday payments in business, and then only at their gold value and under very great protest. Some were also used in paying Federal taxes within the state, for which they were freely accepted at their face value. As late as June 12, 1869, the *Alta California* declared that,

"The Government continues to pay out large sums, but all it pays out and all that is received from the East in the way of business does not supply the demand for remittance and for taxes, which demand maintains the price at 1½ per cent above the gold price at the East. The Assistant Treasury here has been in want of legal tenders to meet the currency drafts of the Department in favor of contractors."

It therefore appears to be conclusive that the greenbacks did not get into circulation in California to an extent sufficient to affect the price level or any other economic factor in the life of the people of the Golden State. So far as I have been able to ascertain, prices in California fluctuated slightly during the Civil War period, but for other reasons than the presence of the few greenbacks that seeped into the financial channels of the state. Wages rose above the rates that had prevailed during the later '50s, but that was due to the unbounded prosperity of the community and to the formation of many labor organizations among the workers. Interest rates actually fell because of the great influx of eastern and foreign capital, which was eagerly invested in California because of the certainty of stable gold returns.

Although no data appear to be available regarding profits and rents, nevertheless one is justified in surmising that with California enjoying such unquestioned prosperity, both profits and rents must have risen slightly. Prof. Amasa Walker, writing in the *Overland Monthly* for June, 1873, stated that his investigation of conditions within the state led him to believe that the labor costs and other expenses of manufacturing in California were no greater at that time than in 1860, although in the eastern communities they were at least 60 per cent higher.[60]

If anyone should doubt the advisability of California having remained upon a specie basis, even at the expense of being accused of disloyalty to the Union, he merely has to turn to the pages of the two thorough-going studies of greenbacks made by Dr. W.

[60] Vol. 10, p. 561.

C. Mitchell, already referred to, and learn that in the eastern portions of the United States the acceptance of the depreciated paper money caused prices to rise about 85 per cent, while wages rose somewhat less than 60 per cent, and interest rates a little less than 15 per cent. As a consequence of this failure of wages to keep pace with the sky-rocketing price level, the wage-earners had to bear the burden of a tax amounting, as Mitchell states, "to confiscation of perhaps a fifth or a sixth of" their real incomes. Those who derived their income from capital lent at interest suffered losses "more serious than those suffered by the wage-earners." Urban landlords, who leased their property for a considerable length of time, "suffered severely if paid in greenbacks. The number of 'dollars' received as rental might be the same in 1865 as in 1860, but their purchasing power was less than one-half as great." Mitchell also states that profits in eastern centers were greatly increased because of the depreciation of the legal tender notes.

Californians had not acted solely in a selfish manner in insisting upon specie payments. They were naturally, possibly selfishly, interested in their personal welfare and in the welfare of their business. They had always had gold and silver and had consistently refused to use the bank notes of the eastern states, or to permit their own banking institutions to issue paper promises to pay. They were certain that they could gain nothing by changing their policies in that regard. In fact, they realized that they would suffer, as the East did suffer, from the adoption of a paper standard.

By remaining upon a "hard money" basis, Californians encouraged the progressive development of their mining interests. During the Civil War, the mines of the state continued to extract millions of dollars of valuable ore from the bowels of the earth, and monthly to pour from five to six millions of the golden treasure into the financial centers of the East. "These timely arrivals so strengthened the nerves of trade and stimulated business as to enable the Government to sell its bonds at a time when its credit was its life blood, and the main reliance by which to feed, clothe and maintain its armies. Once our bonds went down to thirty-eight cents on the dollar. California gold averted a total collapse, and enabled a preserved Union to come forth from the great conflict with only four billions of debt instead of a hundred billions."

In the opinion of many financiers of the time, it was doubtful whether or not the Northern States would have been able to have stood the "shock of the great rebellion of 1861 had the California gold discovery not been made. Bankers and business men in New York in 1864, did not hesitate to admit that but for the gold of California * * * the bottom would have dropped out of everything."[61] In this regard, and in many others which cannot be discussed in this place, the Golden State of California did its part in that bitter conflict to bring victory to the defenders of the cause of a united nation. By adhering to the policy of specie payments California more than justified the economic wisdom of its citizens, its legislators, and its financiers, as well as that of the founders of its government.

[61] Marcus Benjamin, John Bidwell, Pioneer, Washington, 1907, pp. 19-20. Benjamin quotes Bidwell to the above effect.

CHAPTER IX

THE SPECULATIVE SEVENTIES

Hardly had the first gold been uncovered at Coloma when a demand arose that everything possible should be done to bind California more closely to the rest of the United States. From the very first, its citizens, regardless of their positions in the frontier life of the community, had hoped and prayed that somehow a group of daring men, with courageous faith in the future, would make it possible for the city by the Golden Gate and for the fertile valleys of the state to be joined to the plains of the Mississippi Valley and the financial and manufacturing centers of the East. Not only had this been the dream of the Californians themselves, but it had also been the hope of statesmen and military authorities.

The consummation of this project would provide cheaper and quicker means of transportation for passengers and products; it would shorten the long, tedious and dangerous journey across the plains and by water, and would afford more adequate military protection for the western coast. General Fremont is said to have declared that he had made his expedition to California in 1845-6, as the agent of the Federal Government, for the purpose of finding the "shortest route for a future railroad to the Pacific, and especially to the neighborhood of San Francisco Bay." It is doubtful whether or not the accomplishment of any single undertaking ever so thoroughly concerned the people of all sections of our country as did the construction of the Central Pacific and Union Pacific railways. The State government, the cities, and the counties of California, all contributed most lavishly to aid in making the undertaking a success. Bonds were purchased, taxes levied, and every accommodation afforded for the purpose of encouraging and assisting in the completion of the project.

The people eagerly anticipated the results to be obtained from the transcontinental line. They prepared to welcome the flood of immigration which it was felt would rush into the state with

the driving of the last spike. Extensive tracts of city and farm lands were purchased and subdivided with the expectation that sales would easily be made to the newcomers at greatly enhanced values. For miles in every direction around San Francisco Bay town sites were platted and placed upon the market. Speculators doubled, trebled, and quadrupled the past growth of the city in their calculations. New industries were established, extensive improvements were undertaken, and a new era of unbounded prosperity appeared to be dawning for San Francisco.

In May, 1869, the last spike was driven at Promontory Point, Utah. The day long anticipated had arrived, but how different were the consequences from those which had earlier been prophesied! By 1868, the stream of immigration had again turned toward California and the arrivals far exceeded the records made in the halcyon days of the gold rush. California had been pictured to the easterners as a land of plenty, whose prosperity was unlimited, and whose hills, valleys and rivers afforded unbounded opportunities for those who would only come to take advantage thereof. Various associations had been organized in California for the purpose of encouraging immigration, primarily for two reasons; first, to aid the real estate speculators, and second, to bring into the state a large number of laborers who would make possible a reduction in the high wage scale which had prevailed in California since the days of '49, and who would also assist in abolishing the eight hour day of the California mechanics. During the two years 1868-69, the state gained somewhat more than 50,000 in population.

Needless to say, its small, scattered industries could not absorb the newcomers, many of whom arrived penniless. The placer mines had been practically exhausted and could not provide employment. The agricultural resources and practices of the state were strangely unlike those to which the immigrants had been accustomed in the Middle West, the South and the East. Land values had been boosted out of all reason so that the new arrivals could not purchase farms. Thus, only a relatively small proportion of those arriving from the older sections of the country entered the realm of agriculture. To add to the seriousness of the situation, thousands of unskilled laborers, who had been employed in the construction of the Central Pacific Railway, were discharged upon its completion. San Francisco was the Mecca

toward which all feet were turned. As thousands upon thousands of the unemployed congregated in the city it became impossible for the regulations of the unions and the eight hour day leagues to withstand the pressure. The high level of wages, which had long been the boast of San Francisco, and the shorter working day, which had been so easily obtained during the Civil War period, had to be temporarily relinquished.

But is was not only the workers of California who were disastrously affected by the completion of the railroad. The same fate was in store for those who had invested their capital in the state's industrial and mercantile enterprises. San Francisco had been the point to which all freight and passenger traffic had previously come by water. Practically all imports and exports of California had passed through the hands of her merchants. The railroad, however, worked a revolution. Almost before its construction had begun, the merchants and manufacturers of Chicago, more energetic than those of San Francisco, had realized the vast possibilities that were to be opened up. As the Union Pacific Railway was pushed farther and farther westward, agents representing the Chicago houses followed close behind and secured trade and customers. The San Francisco *Chronicle* of June 12, 1870, pointedly declared, that when "the junction was made at Promontory Point * * * Chicago was there represented by her agents, while San Francisco, down by the sea, was reading accounts of the event." The *Evening Bulletin* of August 6, 1870, also said that,

"The merchants of Chicago and other Atlantic cities acted as though new gold mines of fabulous wealth had been opened up to them on this coast by the laying of the iron tracks across the continent and as if the people were actually starving for supplies. Hence, drummers were sent on by scores and hundreds, soliciting everything from a pair of shoe strings to a well stocked variety store. They canvassed the coast thoroughly, not forgetting the smallest retail establishment, even accosting private individuals at the mines, on the farms, in the work shops and on the street; and as a reward for their perseverance, for the unusual inducements offered, and also for the sake of the novelty of the transaction, they secured a number of orders and subsequently forwarded a large quantity of goods in response to such orders and for speculative account. As a result of these operations our markets, which were already well stocked, were overburdened with goods, and stagnation was the inevitable consequence."

High rates of wages and high cost of raw materials in California made competition with eastern firms out of the question. Other factors also conspired to bring about a period of business uncertainty and depression. The foundries and machine shops of San Francisco had always been a most important industry. Mining companies had been their best customers. The output of the mines began to decline in 1865, and this naturally resulted in a decrease in the orders which were placed with the foundries and machine shops of that city. By 1869, the business of the latter had fallen to quite a low state, and before the close of that year four of the largest foundries failed, with liabilities in excess of $200,000. Another matter, which must not be overlooked, was the lack of rain during the winters of 1869 and 1870, which disastrously affected the agricultural interests of the state, especially in the southern counties, and greatly diminished the demand for farm laborers. Considering the above circumstances, it is not at all surprising that real estate values rapidly depreciated, exports declined at an astounding rate, wages and prices fell, and the money market and the financial houses underwent a severe strain.

California had been living, as it were, isolated from the rest of the world. She had built up a magnificent provincialism. "High prices and vast profits, a grand and reckless way of business and of life pervaded all her society and her movements. * * * At first the people seemed stunned with the revelation and the revolution." The state was experiencing a rapid transition in its development, and, as is always the case, business uncertainty, unemployment, and destitution followed. It was estimated that at least one-fifth of the population was out of work. In fact, in January, 1870, it was officially stated that there were some 7,000 unemployed in San Francisco alone. For the first time in its history a meeting was held in that city of those "interested in the establishment of a soup house for the poor." A number of bills, framed in the vain hope of relieving the unemployed problem, were presented to the Legislature, but nothing of any consequence resulted therefrom.

Before 1870, the presence of the Chinese had evoked but little antagonism from either the employing or the employed classes. The Chinese had flocked into California upon the discovery of gold, and at first had worked in the placer regions. They had then spread throughout the state as farm laborers, or had gath-

ered in the cities where they were employed as domestics, laundry workers, unskilled laborers, etc. When the depression swept over California in 1869-70, it is not surprising that the unemployed looked upon the Chinese as one of the causes of their misery.

Toward the close of April, 1870, the agitation against them became more united and outspoken, due in part to the announcement of the Southern Pacific Railway Company that it intended to use them on its projected construction work in spite of the fact that thousands of whites were searching for employment. The Chinese problem soon became the outstanding issue before the California people, resulting in numerous anti-Chinese riots, some bloodshed, and not a few deaths, and greatly influencing the organization of the Workingmen's Party of California and the drafting and adoption of a new State Constitution.

During the early months of the depression of 1869 there were insistent rumors of bank and business failures. Although Dunn, Barlow & Company of New York reported only four failures in California during 1869, with liabilities amounting to $593,000, the *Alta California* of November 4, 1869, stated that during the preceding nine months there had been incessant rumors to the effect that firms, whose surplus was counted in millions of dollars, had become bankrupt. Treadwell & Company had been reported as having failed at least twenty times in six months. I. Friedlander, Barron & Company and a long list of other firms in excellent financial condition, were likewise reported to have become bankrupt, not to mention the most alarming rumor of all which was to the effect that the Bank of California had been forced to close its doors. No secret was made of the fact that funds were rather scarce and difficult to obtain. Many felt and openly admitted that California had lived beyond its means, that its air-castle dreams of boundless prosperity had not been realized, and that it was but feeling the pinch of a monetary stringency which would in time pass away. The depression, however, continued throughout the two succeeding years.

While there had been but four failures in 1869, there were 270 in 1870 with liabilities of $2,423,000, and 89 in 1871 with liabilities of $4,279,000. Recovery was hindered in part by the inadequacy of the seasonal rainfall in 1870. This interfered with agriculture and mining operations. In 1871, the mines yielded less than in any previous year. The losses suffered by many of

the Californians in the Chicago fire reacted upon the local situation. Several of the local fire insurance companies lost heavily. This resulted in the withdrawal of over $1,500,000 from the local banks, curtailing bank credit and causing the stock market to sag. Unemployment remained a serious problem. The real estate market continued dull and depressed. Because of the very unsatisfactory state of affairs existing in California, there was a noticeable decline in the number of persons coming into the state and also a decided increase in those departing for other sections of the country.

The rebuilding operations in Chicago as well as those following the fire in Virginia City, temporarily at least, withdrew from the local labor market a considerable number of the unemployed. During the winter of 1871-72, the rainfall was abundant, mining stocks revived, and the expressions of opinion found in the press of the time would lead one to believe that the Californians once more looked forward expectantly to a return of prosperity.

Their expectations, however, were not to be realized. Business was still being conducted upon too speculative and too uncertain a basis. Especially was this true in the case of mining investments. Millions of dollars had been sunk in the securities of the Crown Point and Belcher mines on the Comstock Lode and in those of the Raymond and Ely mines at Pioche. The extent to which speculation was rampant is shown by the fact that from January to May, 1872, the value of silver mining stocks listed for sale on the San Francisco exchanges increased from $17,000,000 to $81,000,000. Many mining companies recapitalized at greatly exaggerated figures. The *Evening Bulletin* of May 3, 1872, announced that eleven mining companies had just increased their capital stock from a total of $19,598,000 to $74,000,000.

Although only four out of the 150 mining companies listed on the stock exchanges of the city were on a dividend paying basis, speculation knew no bounds. Prices reached dizzy heights. Such a state of affairs could not long continue, and on May 8, the market broke. Within a week's time the listed stocks declined more than $48,834,000, and before three weeks had passed the shrinkage exceeded $61,000,000. Millionaires with paper fortunes became paupers overnight. Business was crushed! Thousands were unemployed. As months passed, affairs tended grad-

ually to approximate normal conditions, although the results of the collapse persisted until 1874.

California was so far removed from the eastern communities that it was practically unaffected by the panic of 1873, which took such a heavy toll from business in the Atlantic and Middle Western states. It mattered little that countless banks and business firms were forced to the wall in eastern centers. California was a community living practically unto itself and dependent to a surprising extent only upon its own resources. In 1872, there had been but eighty failures in California with liabilities of $2,434,000; in 1873 this number declined to seventy with liabilities of $1,500,000.

In 1874, the economic conditions of the state were fairly satisfactory, and had it not been for another rather serious mining stock panic which occurred in October, the people would have deemed business to be progressing nicely. In October, mining stocks declined considerably more than $20,000,000 in a few days' time. The market steadied itself for some months, but as ore production decreased and as dividends were either passed or paid in smaller amounts, a panicky feeling set in, resulting in another mining stock flurry in January and February, 1875. In the latter instance the stocks of two mines alone declined about $24,000,000. Many small stock and bond brokers were completely ruined.

Although there were but sixty-eight failures in the state in 1874, with liabilities of $2,571,000, nevertheless it appeared that California was inevitably headed for the rocks of another business depression. The rainfall in the winter of 1874 and the spring of 1875 was insufficient. The winter was unusually cold, greatly damaging the crops and causing severe losses to the farmers. In August, 1875, another mining stock panic occurred, and within three weeks' time (August 6-26), stock values declined more than $60,000,000. On August 26, the climax was reached with the announced closing of the Bank of California, long considered as being the strongest financial institution on the Pacific Coast. Two other San Francisco banks and five or six banks in the interior of the state temporarily suspended. The stock exchanges of San Francisco also closed.

Immigration had again begun to flow into the state. The prosperous conditions reported as existing in California, while

the East was suffering from the effects of the panic of 1873, had attracted the attention of the people in other parts of the country. During the three years, 1873-75, more immigrants entered the state than during the period of 1856-67. Many were factory hands, totally unsuited for employment in agriculture or in the lumber camps. They naturally drifted into the cities, adding their numbers to those already there, many of whom were unemployed. During the winter of 1875-76, an astounding amount of destitution prevailed among the poor of the state. Thousands were supported solely by charity.

In October, 1875, the Bank of California again opened its doors and almost immediately thereafter the Nevada Bank of San Francisco was established. The stock exchanges resumed operations on October 5. An abundant rainfall buoyed up the hopes of the business men, who looked forward to a plentiful yield from both agriculture and mining. The year 1876 did prove to be a fairly satisfactory period, there being but 248 failures throughout the state with liabilities of $3,877,671, while in 1875 there had been 237 failures with liabilities of $5,281,111.

During the winter months of 1876 and the spring months of 1877, there was again an insufficient rainfall, considerably less than one-half the average amount. The agricultural output for 1877 was greatly below normal. The drought was felt most keenly in the San Joaquin Valley and in some of the southern counties and resulted in an estimated loss of $20,000,000. The decision of the Texas & Pacific Railroad not to extend its line west of the Rocky Mountains was a great disappointment to the financial interests of the state, especially to those of the southern counties. The annual tourist trade was smaller than usual because of the Centennial Exposition at Philadelphia. Real estate values steadily declined.

In January, 1877, it was announced that the Consolidated Virginia Mines of the Comstock Lode would not pay the usual monthly dividend of $1,000,000. A panic in mining stocks resulted with prices tumbling headlong to the lowest recorded levels. In three months there was a shrinkage of $140,000,000 in the value of the stocks of two of the leading mines, practically all of which was held in San Francisco. The extent to which that community was affected by the stock market collapse is appreciated only when one realizes that the loss actually amounted to $1,000

for each adult male in San Francisco. California was face to face with the most seriously prolonged business depression in its history. During 1877, there were 451 failures with liabilities aggregating $11,736,276. Agriculture was at a standstill. Thousands of unemployed tramped the city streets and the country roads in search of work.

For the first time following the discovery of gold, one finds the newspapers commenting upon the increasing number of tramps, who were described by one paper as a "specimen of humanity * * * new to the Pacific Coast." As months passed the outlook became increasingly hopeless. Destitution was present in all sections of the state. The attitude of the unemployed grew more menacing; crime became prevalent; crowds of hungry, desperate men gathered on street corners or on empty lots eager for excitement and willing to follow blindly any leader who might promise relief. The leader, developed out of the crisis, was an ignorant Irish drayman, Dennis Kearney, who, with his slogan, "The Chinese must go," and aided by associates, successfully organized the Workingmen's Party of California, carried on a violent campaign against the Chinese, demanded the drafting of a new State Constitution, molded certain of its important provisions, and assisted in bringing about its adoption in 1879.

The financial and industrial interests of California were slow in recovering from the depression of 1877, the consequences of which were prolonged by the Kearney agitation and by the adoption of the new State Constitution, the latter having produced much uncertainty and confusion especially among the financial and corporate interests of the state. During 1878, there were 532 failures with liabilities of $11,600,130. At that time it was estimated that there were only about 17,058 business houses in the state. The toll for 1879 was greater as far as numbers were concerned (772), but the liabilities ($7,967,854) were considerably less than for the preceding year. It was not until the early years of the '80s that signs of returning prosperity were evident in business circles.

There are many details that go to make up the fascinating story of the development of California's financial institutions during the "Speculative Seventies." During the first year of the decade, the money market in San Francisco remained in a very cramped condition due in part to the financial situation in New

York City. Some of the savings banks stopped lending on any security whatsoever, having only sufficient funds on hand with which to meet the possible demands of their depositors. Under the circumstances it is not strange that there were many rumors afloat regarding the threatened failure of this or that banking house.

It was not until September 13, 1870, however, that the first failure occurred, that of the California Building, Loan & Savings Society. This institution had been organized in May, 1861, by Thomas Mooney. It had enjoyed an excellent reputation and had frequently been praised by the local press. Mooney had also organized the Builders' Insurance Company, in which he had invested a large portion of the funds of the California Building, Loan & Savings Society. The insurance company had not been a success and was finally closed. The affairs of the California Building, Loan & Savings Society became more and more involved. On August 28, 1870, one of the directors of the latter filed the following charges against Mooney:

(1) That he had loaned to a man named Marks, from the bank's vaults, without authority, $48,000—since reduced to $29,000.

(2) That he took without authority from the bank's vaults, $21,700.29, with which he purchased greenbacks at a loss of $1,500 to the bank.

(3) That he purchased United States bonds at 6 per cent per annum, resulting in a loss of $2,000.

(4) That he foreclosed notes, etc., to the amount of $38,-886.29 without authority and before the same were outlawed.

(5) That he bought up bank stocks for 50 cents on the dollar for which the bank paid him dollar for dollar, amounting to $4,900.

(6) That he loaned to a man named Moore $1,200 without security.

Mooney was also accused of having wielded the full power of the directors, transacting all of the business of the society without their knowledge. It was claimed that whenever a person applied for a real estate loan, Mooney dispensed with the usual preliminaries of searching the title and pocketed the money that that would have cost. It was also stated that he had organized another company, which occupied quarters on the floor above those of the society, to which he loaned money at a high rate of interest,

which in turn loaned it out at a still higher rate, no entry of such loans being made on the books of the society.

On September 2, 1870, Mooney took passage on the steamer *China* for the Orient. He claimed that he was making the trip for the purpose of recuperating his health, but when the affairs of the society were investigated, it was found that the situation was such as to make it advisable for him to depart for parts unknown. When it was announced that Mooney had left town, suspicions were aroused among the depositors, who immediately made a run upon the bank. Hundreds gathered around the building gazing "anxiously at the iron door," or looking "through the window," at the same time being "loud in their imprecations of Mooney and his financiering qualities of which he so often and so loudly boasted." The *Alta California* of September 14, 1870, commented upon Mooney in the following manner:

"Of Mooney himself it is unnecessary to speak. He was a demagogue, and wormed himself in the graces of workingmen, by opposing the best interests of the community. He arrayed them against the Chinese, and against their employers. He taught them to believe that they were robbed and plundered by monopolies. He identified himself with labor movements of all kinds, and he is said to have wept for joy when they appeared to have triumphed. He was conspicuous as a spotless Irish patriot, a historian who penned the wrongs of Ireland as no other man could do. He corresponded with Savage, Dr. O'Brennan, and others, and by all he was considered worthy. His last act was to offer himself as governor of the State, in the interests of the workingmen. The developments of the last few days afford a scorching sarcasm on his high sounding and flattering pretensions. His connection with the Builders' Insurance Company is also worthy of notice. It was as president of this company he obtained his stronghold in the community. But the Builders' was soon swept away, with a loss of some $27,000 to the California Savings & Loan Society, while Mooney is reported to have said at a meeting held to oppose insurance monopolies, that he made a hundred thousand by the company during its existence. A good deal more could be said, but we pause when we ask ourselves, 'Who does not know Thomas Mooney?' "

The directors of the society, after a very full and free discussion as to the condition and future prospects of the organization, deemed it inexpedient to continue the business and decided to liquidate immediately. It had been proposed by the directors that

the society might be able to resume operations provided the depositors would be willing to allow their money to remain for a period of a year; but the suggestion did not meet with the approval of either the stockholders or the depositors. Law suits were filed and attachment proceedings were started, with the result that the resources of the association were finally dissipated, the depositors being paid but a small proportion of their claims.

The run that had been made on the California Building, Loan & Savings Society also caused a run to be made upon the Hibernia Savings & Loan Society, but the latter paid its depositors without delay. The public, however, remained unduly suspicious of the banking institutions of the city, and on October 6, another run was started on the local banks. Rumors were afloat to the effect that Donohoe, Kelly & Company had closed their doors and that the Hibernia Savings & Loan Society was also insolvent. The former institution had no difficulty in convincing the public that it was in excellent condition. It was engaged primarily in commercial banking activities and dealt for the most part with the larger financial interests of the community.

A run was made upon practically every bank in San Francisco, but none experienced any difficulty in meeting the demands of its depositors except the Hibernia Savings & Loan Society, which was then located at the corner of Montgomery and Market streets. That institution, the largest savings bank in San Francisco, had over 16,000 depositors and held considerably over $11,000,000 in deposits. On the morning of October 6, a large crowd gathered around the bank. The excitement was intense, and at one time it looked as though mob violence would be resorted to by the half-crazed, frantic depositors. The doors were thrown open at the usual time, however, and as fast as the money could be counted and entries made, all requests for funds were met. A group of speculators and money brokers, however, passed among the crowd and purchased books of depositors at from 50 to 80 cents on the dollar.

This sort of thing continued for about an hour, when Peter Donohue and several other wealthy citizens arrived and stopped it by announcing that they would buy any and all depositors' books at the rate of dollar for dollar, the interest due on the accounts being sufficient remuneration for the proposed investment. One Irish woman, arriving at the outskirts of the crowd,

gave vent to a whoop and dove into the seething mass of humanity, elbowing her way to the bank's door. She knocked men right and left and, holding her bank book above her head, yelled, "I have $6,300 in there and I'll have it or their heart's blood." The effects of the run upon the Hibernia Savings & Loan Society were felt for many months thereafter. The savings banks, in self defense, widened their margins and refused to loan more than 33 to 40 per cent of the market value of the real estate offered as security.

On November 26, 1870, the City Bank of Savings, Loan & Discount of San Francisco was declared to be bankrupt and was placed in the hands of a receiver. Daniel Murphy, president of the defunct institution, was subsequently accused by the assignee, Henry C. Hyde, of having studiously avoided giving any information which would throw light upon what had become of the resources of the bank. Hyde claimed that Murphy's "answers were generally vague and unsatisfactory, and to many questions he refused to reply—sufficient, however, was gained from this examination to show that he had carried on the business in a most reckless manner, and his bookkeeping was a complete farce, that no cash balance had been struck for over two years, that the funds had been carried in his pockets, that he had assumed sole and absolute control of everything pertaining to the bank, had been board of directors, president, treasurer, cashier and secretary, without the remotest idea of what was required of him in any one of these positions, and in this five fold capacity, in the course of a few months, succeeded in transferring $50,000 of the bank's moneys and securities to his own use, or at least has wholly failed to account for them."[1] Depositors lost heavily as a result of Murphy's mismanagement.

Two new banks were established in San Francisco during 1870, i. e., the Merchants Exchange Bank and the Red Men's Savings & Loan Company. Articles of incorporation for the Merchants Exchange Bank were filed in the early part of April, 1870, the stock subscription books were opened on April 28, and the bank began operations during the first days of June at 415 California Street with a capital stock of $1,000,000. The bank was backed by Alvinza Hayward, a local capitalist, who had assisted

[1] *Alta California*, May 16, 1872.

in establishing a bank in Los Angeles in 1868. A. N. Coleman was president and G. H. Wheeler was cashier. The bank never played an important part in the local financial world, and voluntarily retired in August, 1877, paying all claims in full. The story of the Red Men's Savings & Loan Society is somewhat similar in its details. It was incorporated May 1, 1870, began business on October 1, and finally voluntarily liquidated on January 2, 1872, because of lack of patronage. C. D. Cushman was its first president and R. L. Taylor its first cashier.

In the outlying communities, considerable progress was made during 1870 in providing banking facilities for the farmers and citizens of the smaller towns. The Santa Cruz Bank of Savings & Loan was incorporated on March 10, 1870, with an authorized capital stock of $500,000, but with only $20,000 paid in. Like most banks established in those early years in the smaller towns, it had considerable difficulty at first in making a success of its business, and at the time of the first inspection by the State Bank Commissioners in 1878, it showed an impairment of its capital stock. However, it was immediately placed in a sound condition and has so remained down to the present time. Lucien Heath was its first president and E. J. Cox its first cashier. They, with their associates in the Santa Cruz Bank of Savings & Loan, also organized a commercial bank, the Bank of Santa Cruz County, which was incorporated August 10, 1875. The latter institution became the Santa Cruz National Bank in 1910. The officials of one bank have from the first also been the officials of the other.

The Vallejo Savings & Commercial Bank was incorporated on May 3, 1870, with an authorized capital of $300,000. Gen. John B. Frisbie was its first president and Henry Mackie its first cashier. It was forced to suspend temporarily on September 28, 1876, because of the financial embarrassment of General Frisbie, who had lost heavily in stock speculation. It resumed January 8, 1878, after meeting all obligations in full. On May 17, 1889, it re-incorporated as the Vallejo Commercial Bank. It retained the same officers, i. e., E. J. Wilson, president, and J. R. English, cashier, but increased its capital stock from $75,000 to $100,000, $95,000 of which was paid in. On July 30, 1918, it sold its commercial business to the Vallejo Commercial National Bank and on October 14, 1918, changed its own title to the Vallejo Bank of Savings. The Odd Fellows Savings & Commercial Bank of Sacramento was incorporated on May 12, 1870, with a capital stock of

$100,000. After running a somewhat uneven course it failed on September 21, 1878, its affairs later being taken over by the People's Savings Bank of Sacramento, which was incorporated on May 23, 1879.

The Bank of San Diego was organized on May 27, 1870, with A. E. Horton, president, and Bryant Howard, cashier. In 1872, San Diego experienced a western town boom, known as the "Tom Scott Boom," and the citizens of the community waxed enthusiastic over the future prospects of the young city. This condition of affairs brought about the establishment of a second bank in that small settlement, the Commercial Bank of San Diego, organized in October, 1872, although it did not open for business until March 1, 1873. When the boom spent its force, these two banks were merged in October, 1879, under the name of the Consolidated Bank of San Diego, with Judge O. S. Witherby, president, and Bryant Howard, cashier and manager. On September 22, 1883, the Consolidated Bank took out a national charter and became the Consolidated National Bank of San Diego. Ten years later it was forced to suspend as a result of the panic of 1893.

The Bank of Mendocino, a mutual association, was incorporated July 13, 1870. Its organizers on December 22, 1871, also incorporated the Mendocino Bank of Discount. The former voluntarily liquidated some time during 1894-95, while the latter did likewise about four years later. The Santa Rosa Bank was incorporated August 11, 1870, with a capital of $100,000. To E. T. Farmer is due the credit of establishing this, the first bank in that city. The population of the town was approximately 1,000 and it must have taken considerable courage backed by a strong faith in the future development of the community to undertake the establishment of a banking house at that time. Farmer was its first president and C. G. Ames its first cashier. In 1873, its capital stock was increased to $300,000. On December 6, 1917, it became the Santa Rosa Branch of the Bank of Italy. The Petaluma Savings Bank was incorporated on August 30, 1870, with a capital stock of $100,000, its first president being J. M. Bowles, who was succeeded in January, 1871, by H. D. Fairbanks. The first cashier was O. V. Walker, who was followed in 1874 by W. B. Haskell.

On September 15, 1870, articles of incorporation were issued to the Colusa County Bank at Colusa. It was capitalized at $200,000 with the privilege of later increasing that sum to $500,-

000. W. F. Good was its first president and W. P. Carrington its first cashier. It purchased the Bank of Princeton, June 4, 1924.

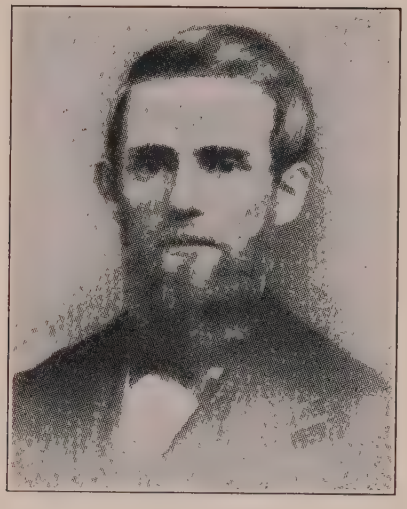
Banks were unknown in Contra Costa County until December 29, 1870, when the Contra Costa Savings & Loan Bank was organized by William M. Hale and others. Its place of business was the town of Pacheco. Hale and Brother, general merchants of that town, had for many years been one of the leading firms in the county. Farmers for miles around held them in high regard, and were accustomed to leave funds in their store safe. It was not unusual for the more prosperous farmers to ask W. M. Hale, the senior partner of the firm, to loan out their surplus money on good mortgages. This business grew to such large proportions that, to avoid discrimination, he began paying his customers a certain per cent for the use of their deposits.

This practice led to the organization of the Contra Costa Savings & Loan Bank, with a capital of $50,000. The business of the banking house being limited only to savings, the associates on March 27, 1872, proceeded to incorporate as the Contra Costa Bank so as to be able to engage in a general banking business. This banking house was very successful and met the needs of the district in a most satisfactory manner. The two Hale brothers finally sold their store in Pacheco and moved to the county seat, Martinez, where, in association with L. I. Fish, Charles Fish, S. Blum, W. W. Cameron, B. Baldwin and I. Ayer, they incorporated the Bank of Martinez on October 7, 1873.

The bank at Pacheco subsequently went out of business. L. I. Fish was the first president, and William M. Hale the first cashier, of the Bank of Martinez. On May 26, 1875, the capital stock of the bank was increased to $100,000. At the time of the organization of the Bank of Martinez, the town had a population of only five or six hundred and was most inaccessibly located, the railroad not being built through that part of the state until 1879. The bank, however, prospered and is at present an important factor in the life of the community.

The Federal Government had established the national banking system in 1863, but for some years thereafter the Californians would have none of it. National banks were authorized to issue bank notes, and that fact was enough to condemn the whole system in the minds of the people of the Golden State. In 1870, however, the National Bank Act was amended so as to permit the incorporation of "national gold banks" authorized to issue notes payable

L. I. FISH
First President, Bank of Martinez



W. M. HALE
First Cashier, Bank of Martinez

only in gold coin. This modification of the law induced a group of prominent San Francisco capitalists to assemble in September, 1870, and after discussing the matter thoroughly, to decide to apply for a national bank charter. On December 11, the charter was granted by the Comptroller of Currency, and on January 1, 1871, the First National Gold Bank of San Francisco was opened for business, with a capitalization of $1,000,000. The first officers of the new bank were James Phelan, president; Samuel Hort, vice president; and N. K. Masten, cashier. On March 5, 1884 the title of the bank was changed to the First National Bank of San Francisco. In 1889, its stockholders organized the First National Safe Deposit Vaults, with James K. Lynch, manager, and in 1907, they organized the First Federal Trust Company to care for the savings and trust business of the customers of the First National Bank.

After a long and successful career as one of the outstanding commercial banks of San Francisco, the First National Bank and the First Federal Trust Company were merged on January 2, 1926, with the Crocker National Bank, the resulting institutions being known as the Crocker-First National Bank of San Francisco, and the Crocker-First Federal Trust Company. The former at the time of the merger had a capital of $7,500,000, a surplus of $2,925,000, and total assets of $118,139,568.

The outstanding figure in the plans for the organization of the First National Gold Bank, and one who remained associated with its management until his death in 1892, was James Phelan, a pioneer of 1849. His father, with three sons, emigrated from Ireland and landed in New York in 1827, James at that time being but six years of age. Owing to an unfortunate turn of events in the family's affairs, the boys were forced to depend upon their own resources after having had only a few years of schooling. It is said that James found employment with a corner grocery store at the magnificent (?) salary of $5 per month. It was there, however, that he received excellent training which stood him in good stead in later years and early enabled him to set up in business on his own account. He extended his operations in a short time to Philadelphia, New Orleans and other cities. "Making business connections wherever he went, he won the confidence of mercantile firms by his strict integrity, which was a large factor in his success."

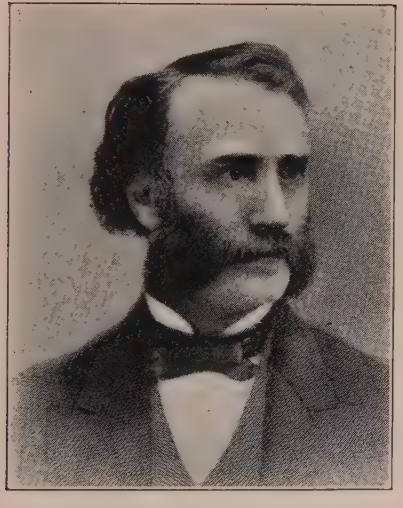
When the discovery of gold was officially confirmed, Phelan

decided to make his way to the coast, but not as a gold digger. He was a merchant, and saw in the immense influx of people, who were bound to crowd their way into the gold fields, an opportunity of selling merchandise of all sorts. Consequently, he invested all of his fortune, which at that time amounted to about $50,000, in the necessities of life, and shipped them by three boats to San Francisco. One of the vessels was lost at sea. Phelan himself arrived in the city by the Golden Gate on August 18, 1849, having made the journey by water via the Isthmus of Panama. He and his brother, Michael, who had preceded him by a few months, then formed a partnership under the firm name of J. & M. Phelan, and until 1858, when Michael died, this partnership was one of the outstanding mercantile firms of the city. So kindly did fortune smile on this young merchant that by 1869, James Phelan was able to retire from his commercial activities and sail for a trip to Europe, accompanied by his wife, his son, James D. Phelan, and his two daughters.

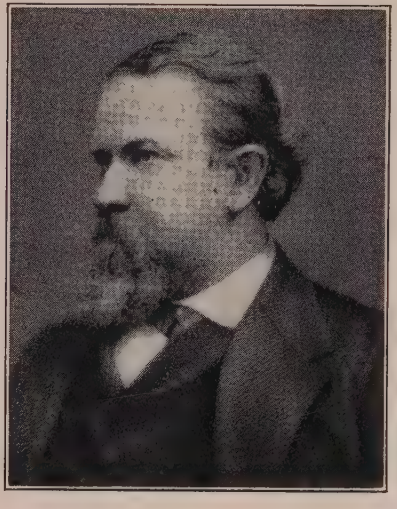
After returning from Europe, he entered upon a new career, that of a financier. His was the guiding hand in the organization of the First National Gold Bank of San Francisco, and later in the formation of the Mutual Savings Bank of San Francisco in 1889. He financed various building ventures both in San Francisco and in San Jose, invested heavily in many of the more outstanding enterprises which were formed to develop the boundless resources of the Pacific Coast, and also organized the American Contracting and Dredging Company to dredge the Panama Canal. It has been said of him that, "He loved justice and hated iniquity. Many men have sought his opinion on business projects, and unlike the leaders of that era of speculation, he deceived none. Many left their property in his keeping, and the loyalty he displayed on account of such confidence and friendship was perhaps one of his most marked characteristics. He sacrificed his own interests on more than one occasion to serve a confiding friend or associate. He was never so much moved as when he won the good opinion of his fellowmen; nor did he seek it by display of affectation of philanthropy." He passed away, December 23, 1892.

On March 2, 1871, the Security Savings Bank of San Francisco was incorporated with a paid-up capital of $300,000, to conduct a general banking business at 304 Sansome Street, opposite the Bank of California. It announced that it would receive ordinary and term deposits, that it would not charge an entrance fee

JAMES PHELAN
First National Gold Bank, San Francisco



DEWITT C. THOMPSON
California Trust Company, San Francisco



MILTON S. LATHAM
London & San Francisco Bank, Ltd.

to depositors, and that it would make loans on real estate and other securities. It opened for business on April 10, 1871. John Parrott was its first president, Henry S. Babcock its first vice president, and T. F. Bacon its first secretary. The *Alta California* of April 14, 1871, stated that this bank had a "list of names for Trustees second to none in the world for ability and wealth." The bank was sold to S. Waldo Coleman in 1921. On March 21 of that year it added a trust department, and a few months later (May 11) changed its title to Security Bank & Trust Company. On September 8, 1923, it was purchased by the American Bank of San Francisco.

The records of the Internal Revenue Assessor showed that in June, 1871, the banks of San Francisco presented the following condition:

	Average Capital	*Average Deposits*
Bank of British Columbia	$ 477,202	$ 85,999
Bank of British North America	------	372,507
Bank of California	2,777,777	5,492,509
Belloc Freres	55,555	204,715
California Trust Company	140,944	885,162
Davidson, Berri & Company	111,111	650,000
Donohoe, Kelly & Company	194,444	1,262,811
Farmers' & Mechanics' Bank	24,444	311,850
German Savings & Loan Bank	76,997	2,195,018
Hentsch & Berton	22,222	120,430
Hickox & Spear	46,352	59,589
Humboldt Savings & Loan Bank	44,444	371,093
London and San Francisco	555,555	1,993,747
Masonic Savings Bank	14,444	59,816
Merchants' Exchange Bank	277,777	111,111
Odd Fellows Savings Bank	------	2,756,069
Pacific Bank	888,888	402,074
Red Men's Savings Bank	------	------
San Francisco Savings Bank	------	3,601,021
Sather & Company, Bankers	111,111	457,777
Savings & Loan Society	------	6,000,000
Security Savings Bank	166,666	168,500
J. Seligman & Company, Bankers	------	336,518
John Sime & Company, Bankers	111,111	285,036
Sutro & Company, Bankers	13,555	5,778
Tallant & Company, Bankers	67,654	438,313
Wells, Fargo & Company	------	419,251
Totals	$6,178,253	$29,046,694

The Bank of Napa was organized in September, 1871, with C. Hartson, president, and W. C. Watson, cashier. In January, 1880, Hartson was succeeded as president by L. Lewton. The capital stock was originally $250,000, although subsequently reduced. The bank was opened for business on October 2, 1871, in a building on Main Street. It moved the following year to a new location at the corner of Main and Second streets. The Bank of San Luis Obispo was opened on December 13, 1871, with H. M. Warden, president, and C. H. Phillips, cashier. It was the first institution to be established in the county, and was located on the northwest side of Monterey Street, between Morro and Chorro streets. It was incorporated on August 26, 1873, with a capital stock of $200,000. It is interesting to note that James H. Goodman, a banker of Napa, and I. G. Wickersham, a banker of Petaluma, were among the incorporators. In 1881, the bank moved to its own two-story brick building at the northeast corner of Monterey and Court streets, which at that time was claimed to be the most handsome bank building in California south of San Francisco. Its officers at that time were J. P. Andrews, president, and E. W. Stewart, cashier. It retired some time during 1905-06.

The Bank of Gilroy was incorporated June 5, 1871, with a capital stock of $200,000, about one-half of which was paid in. Its stockholders organized the Gilroy Savings & Loan Bank, November 8, 1905. On May 31, 1912, both of these banks were merged into another Bank of Gilroy, which had been incorporated a few weeks earlier. The latter was sold to the Bank of Italy October 21, 1916. The Bank of La Porte was organized some time in October, 1871, with $12,500 capital stock. It voluntarily retired December 24, 1890. On September 25, 1871, the interests represented in the James H. Goodman & Company Bank of Napa organized the Napa Valley Savings & Loan Society. It voluntarily retired January 1, 1880.

On February 12, 1871, Isaias W. Hellman, ex-Governor John G. Downey, and their associates incorporated the Farmers & Merchants Bank of Los Angeles, with a capital stock of $500,000, one-fourth of which was paid in. Downey was the first president, and Hellman was the first cashier. The details of the story of the development of that institution, one of the pioneers in the southern part of the state, will be more fully dealt with in Chapter XII.

In this place it is sufficient to make note of the fact that it was nationalized in February, 1903, as the Farmers & Merchants National Bank, with a capital stock of $1,000,000. At that time it had a surplus of $500,000. I. W. Hellman was the first president of the Farmers & Merchants National Bank, and Charles Seyler the first cashier. It has long been one of the outstanding banking institutions of California, and has continued to follow the safe and conservative policies outlined by its founders.

Mention is also found of two other banking firms which were in operation in California during 1871, i. e., W. H. Chick & Company, at Kit Carson, and T. J. Carter & Company, at Golden City. No information is available as to when these companies retired from the field.

The year 1871 had practically passed without any events of serious consequence taking place, when, on November 1, the citizens of San Francisco were amazed to learn that the old banking house of John Sime & Company had been compelled to close its doors, with estimated liabilities of more than $200,000. It will be remembered that this firm had been established in 1858 by Sime and his associates, Benjamin Smith and L. W. Fisher. B. F. Hastings of Sacramento and J. F. Douglas were subsequently added to the partnership. When the San Francisco bank closed its doors it also forced the Sacramento banking house of B. F. Hastings & Company into bankruptcy. The liabilities of the latter were announced to be $160,000, with assets of approximately $100,000.

The failure of Sime & Company did not affect any of the other banking houses of San Francisco, although in Sacramento the bankruptcy of B. F. Hastings & Company caused a run to be made upon the Odd Fellows Bank, which was met without difficulty. A few days earlier a slight run had been made on the Sacramento Savings Bank, because of the rumor that this banking firm had lost heavily as a consequence of the Chicago fire. There was some doubt regarding the cause of the failure of Sime & Company, although it was felt that it was brought about through the poor judgment of the manager of its Virginia City branch in unwisely investing certain funds that had been placed with him by the San Francisco office. At first it was thought that the creditors of Sime & Company would receive about 50 cents on the dollar, but luckily the bank held certain mining stocks which

later increased greatly in value, enabling the creditors to be paid in full and leaving a large sum for the owners of the business.

In July, 1872, Wigginton, Blair & Company, who had previously been engaged in banking at Snelling, moved to Merced and established a private banking house, the Merced Bank, with temporary quarters in the El Capitan Hotel. This bank was incorporated on April 2, 1875, with James M. Montgomery, president, and Charles M. Blair, cashier. It voluntarily liquidated some time during 1894-95. The Bank of Chico was chartered on December 26, 1872, with John Conley, president, and Alexander H. Chew, cashier. It had a capital stock of $250,000. On July 31, 1915, it was sold to the Butte County National Bank and the Butte County Savings Bank. As has been noted in previous pages, two state chartered banks entered the national banking system during 1872. The Bank of D. O. Mills & Company of Sacramento became the National Gold Bank of D. O. Mills & Company, while the California Trust Company of San Francisco became the National Gold Bank & Trust Company.

The fourth national gold bank to be established in California was the First National Gold Bank of Stockton, capitalized at $200,000, which was organized on November 23, 1872. H. H. Hewlett was the guiding force in getting the bank under way and was its first cashier, later becoming its president. Frank Stewart was the first president. It was the first national bank in California to drop the word "Gold" from its title, which it did as a result of a resolution adopted February 5, 1879.

Henry H. Hewlett was a native of New York State and came to California in 1850, at the age of eighteen, with a stock of merchandise valued at $2,000. In 1851, he settled in Stockton, formed a partnership with a Mr. Avery and opened a hardware and implement store. That venture was unsuccessful. Hewlett then formed another partnership with E. F. Jones, which was successful. He was elected a director of the Stockton Savings & Loan Society when it was formed in 1867. He then became interested in banking, made a study of the field, sold his interests in the store and guided the organization of the First National Gold Bank of Stockton. Although its first cashier, he served as its president, with the exception of about four years, until his death on January 18, 1903. He was also for many years a director of the Bank of California of San Francisco, was interested in other San Fran-

cisco banks, and assisted in organizing the First National Bank of Modesto and the First National Bank of Merced.

During 1873, there were a few incidents of interest in connection with banking in San Francisco. In January, the Bank of California closed its agency at Hamilton, Nevada. In March, 1873, the old banking firm of Hentsch & Berton became the San Francisco branch of the Swiss-American Bank, which that firm had been instrumental in incorporating in Geneva, Switzerland, January 20, 1873, with a capital of $2,000,000. Hentsch was president and Berton was one of the directors of the mother bank. This banking house and its San Francisco branch voluntarily retired in October, 1877, paying all depositors in full. Berton in 1878, organized the private banking company of F. Berton & Company, which did not long remain in operation.

In April, Messrs. Roeding, Spreckels, Daniel Meyer, Livingston, and Friedlander were active in planning the establishment of a branch of the Bank of Bremen under the title of "The European and American Bank." The parent institution was declared to be one of the most influential banks in Europe. It planned to provide 40 per cent of the capital of the new bank. The remaining $1,500,000 was offered to the public in San Francisco and was fully subscribed within two hours. The preliminary plans were laid in April, 1873, but in December the project was abandoned because of certain adverse complications which had arisen in New York and also because American finances were discredited in European countries as a result of the prolonged controversy over the resumption of specie payments.

In April, 1873, the Anglo-Californian Bank, Ltd., was organized, with a capital of £1,200,000, under a British charter, and succeeded to the business of the old firm of J. & W. Seligman & Company. Ignatz Steinhart and R. G. Sneath were the first joint managers. Sneath was later succeeded by F. F. Low, to whom reference has previously been made. Steinhart served as senior executive from 1873 to 1909, when the old bank was merged with the London, Paris National Bank, the resulting union becoming the Anglo & London Paris National Bank. Thereafter until his death he served as a director of the latter.

In 1891, Low was succeeded by Philip N. Lilienthal. Lilienthal had been born in Cincinnati, November 4, 1849. He obtained his early banking experience in the New York office of Seligman

& Company. When only twenty years of age he was sent to San Francisco to manage the local branch. A financial genius and endowed with a wonderful personality, he was beloved by all with whom he came in contact. He was president of the Pioneer Bank of Porterville, the South San Francisco Bank, and the Bank of Pleasanton, and a director in the Title Insurance & Trust Company. He was killed in an automobile accident, September 9, 1908.

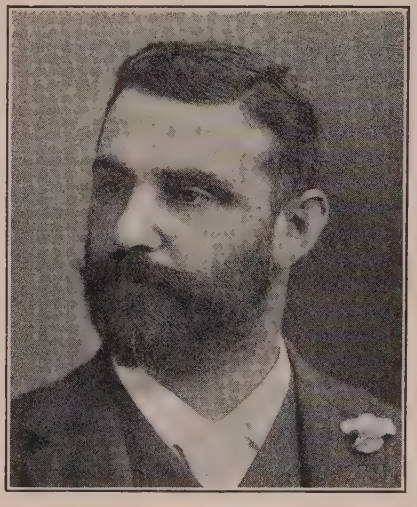
The California Savings & Loan Society was organized June 24, 1873, with D. Farquharson, president, and D. B. Chisholm, secretary. It planned to make a specialty of loans on lands located in the interior of the state. It had an authorized capitalization of $300,000, but only $60,000 was paid in during the five years following its incorporation. It was reincorporated, June 26, 1893, with a fully paid-up capital stock of $100,000. It voluntarily liquidated some time during 1894-95. The Western Savings & Trust Company was incorporated May 15, 1873, with a capital stock of $1,000,000, and opened for the transaction of business on July 7, 1873. H. J. Booth was president, and A. G. Stiles vice president and cashier. Booth was a prominent figure in the manufacturing life of San Francisco. He had earlier been connected with the Union Iron Works and also with other industrial interests. He had been born in England in 1829, and had arrived in San Francisco in 1851. At the time of the organization of the Western Savings & Trust Company, he was also a director of the National Gold Bank & Trust Company of San Francisco.

The Western Savings & Trust Company had been started by parties interested in the Pacific Mutual Life Insurance Company, who felt that if the policyholders in the insurance company could be induced to become depositors in the bank, it would be easier for them to pay their premiums out of their savings. The bank appeared to be fairly successful for about three years, but was finally forced to close in July, 1876, under circumstances which will be detailed in subsequent pages.

A number of banks that had long and profitable careers were established in the interior of the state during 1873. The Bank of Butte County, located at Chico, was incorporated January 15, 1873, with a capital stock of $250,000. George C. Perkins was its first president, and Charles Faulkner its first cashier. It had

SIGMUND GREENEBAUM
Manager of London Paris & American Bank, Ltd.

IGNATZ STEINHART
Anglo-Californian Bank, Ltd.



PHILIP N. LILIENTHAL
One of the first managers, Anglo-Californian Bank, Ltd.

been established in July, 1871, as the private bank of Rideout-Smith & Company, by N. D. Rideout and William Smith of Marysville, and Charles Faulkner of Oroville. It subsequently became one of the largest and strongest banks in the Northern Sacramento Valley. It nationalized as the Butte County National Bank in 1909, and was sold to the Bank of Italy on October 2, 1922.

The Humboldt County Bank of Eureka was incorporated on February 27, 1873, with an authorized capital stock of $200,000. It began business on May 1, in the Vance Hotel Building, at Second and G streets. William Carson was president, and W. N. Huntoon cashier. In 1885, the bank moved to the Buhne Building, where it remained until May 18, 1918, when it again moved—to its new home at the corner of Fourth and E streets. It became the Humboldt National Bank May 1, 1914. In October, 1889, it organized the Home Savings Bank in order to supply the demand for a savings institution. The first officers of the latter were I. Cullberg, president, and N. Bullock, secretary. On July 1, 1921, the Humboldt National Bank and the First National Bank of Eureka merged under the title of the latter, and the Home Savings Bank absorbed the First Savings Bank.

The Savings Bank of Santa Rosa was incorporated on March 10, 1873, with a capital stock of $100,000. This was increased in 1886 to $200,000. A. P. Overton was the first president, and F. G. Hahman the first cashier. The bank was first opened in Hood's Building, on Main Street, but in 1874 moved to new quarters on Exchange Avenue, opposite the courthouse. On March 3, 1923, it became the Santa Rosa branch of the Mercantile Trust Company of San Francisco.

The Farmers' Coöperative Union of Sutter County, located at Yuba City, was incorporated on March 29, 1873. During its early years it devoted itself primarily to handling the wheat crop of that community, although later it engaged in a general banking business. On May 23, 1912, it was chartered as the Sutter County Bank. The latter was on December 28, 1912, split up into two banks, its savings department being sold to the Savings Bank of Sutter County and its commercial department to the First National Bank of Yuba County. The Farmers Savings Bank of Stanislaus County, located in Modesto, was incorporated, March 31, 1873, with an authorized capital stock of $250,000, of which a little more than one-half was paid in. A. L. Cressey was presi-

dent, and L. B. Walthall, cashier. This banking house was sold to the Modesto Bank in 1879, the latter having been organized and chartered on October 28, 1878, by the same stockholders.

On March 3, 1873, the First National Gold Bank of Santa Barbara was organized, with a capitalization of $50,000. Mortimer Cook was president, and Amasa L. Lincoln was cashier. This bank succeeded to the private banking business of Mr. Cook. It later became the First National Bank of Santa Barbara. The Salinas City Bank was chartered May 10, 1873, and began business on October 5, with a paid-up capital stock of $200,000. J. B. Carr was president, and W. S. Johnson cashier. For a long time it remained the only bank in the county. The Dime Savings Bank of Sacramento was organized July 11, 1873, but was forced to close its doors in May, 1878. The Bank of San Luis Obispo was incorporated August 20, 1873, with a capital stock of $200,000, almost all of which was paid up. I have been unable to ascertain the names of its first officers, but in 1878, J. P. Andrews was president, and R. E. Jack was cashier. About twenty years later (December 1, 1893), Andrews established the Andrews Banking Company. The Bank of San Luis Obispo voluntarily retired some time during 1905-06.

The Bank of Hollister was chartered October 21, 1873, with a capital stock of $100,000, later increased to $250,000. Thomas S. Hawkins, the founder, was its first president, and J. J. Bowen its first cashier. Hawkins had come to California in 1860, and had settled near Gilroy, in Santa Clara County. He later moved to Hollister, where he became an important and progressive factor in building up the resources of the community. When the State Bankers Association of California was formed in 1891, he was a member of its first executive committee. In 1902, $50,000 was withdrawn from the surplus account of the Bank of Hollister to start the Savings & Loan Bank of San Benito County. Both institutions were absorbed by the Bank of Italy on December 16, 1916.

The Bank of Dixon was incorporated on October 30, 1873, but did not open for business until April, 1874. It began with a capital stock of $150,000, but in October, 1875, this amount was increased to $500,000.

Two banks were organized in San Francisco in 1874. One of these was the Bank of San Francisco, incorporated January 31, with an authorized capital stock of $1,000,000. N. P. Cole was

president, and Frank M. Pixley, manager. The announced objects of this new banking firm were "to purchase large tracts of land, subdivide, improve and sell the same, taking payments in monthly installments; do a general banking business, discount paper, sell exchange, and advance money on securities." It remained in operation for only a short time.

The Granger movement acquired a large and enthusiastic following among the farmers of California. Briefly it was an anti-monopoly, anti-capitalist organization, formed to free the farmers from their "bondage." Farmers were encouraged to organize coöperative associations in all lines of endeavor, to eliminate the middleman, to band together and finance their own needs, to remove the abuses of the money market, etc. For the purpose of aiding the farmer financially, the officers of the State Grange incorporated the Grangers' Bank of California on April 22, 1874, with a paid-up capital stock of $859,280. It was located in San Francisco and functioned successfully for a number of years, but with the waning enthusiasm of the farmers for the Grange movement, and with the dwindling resources of the bank, it was deemed advisable to close its doors, which was done on December 10, 1895.

During 1874, a number of banks were organized in the interior of the state. The Bank of Ukiah was incorporated on January 10, with a capital stock of $125,000. Its president was Augustus F. Redemeyer, and its cashier, Samuel Wheeler. This banking house was sold to the First National Bank of Ukiah on August 7, 1917. The Kern Valley Bank, Bakersfield, was incorporated February 24, 1874, with a capital stock of $250,000. It was forced to close May 12, 1911. The Bank of Lake was incorporated on March 10, 1874, with a capital stock of $100,000. S. Bynum was president, and F. D. Tunis secretary. It began operations in the lower story of the Odd Fellows Building in the city of Lakeport. It added a savings department, July 2, 1923. The Farmers Savings Bank of Lakeport was incorporated on December 14, 1874, with a capital stock of $100,000. R. S. Johnson was president, and J. W. Mackall was cashier. When the bank was first organized it was located in a drug store, but later moved to its own quarters. The vault which it originally used was formerly in the banking house of Donohoe, Kelly & Company of San Francisco. A savings department was added December 29,

1913. On October 17 this bank and its branch at Kelseyville were sold to the Liberty Bank of San Francisco.

The Bank of Watsonville was incorporated May 11, 1874, with a capital stock of $200,000. After a successful career it was sold to the Bank of Italy on December 24, 1923. The Los Angeles County Bank was incorporated May 20, 1874, with a capital stock of $250,000. J. S. Slauson was the first president, and J. M. Elliott the first cashier. On December 2, 1891, the name of the bank was changed to the Bank of America. At that time it had a paid-up capital of $224,700. J. E. Plater was its president, and G. H. Stewart its cashier. It voluntarily liquidated in 1894, paying all claims in full.

The Bank of Healdsburg was incorporated on June 13, 1874, with a capital stock of $100,000. W. S. Cannon was president, and Charles E. Hutton, cashier. It was located on the northwest corner of the Plaza and transacted a general banking and exchange business. It was taken over by the Farmers & Mechanics Bank of Healdsburg on December 5, 1908, after it was discovered that a large share of its funds had been misappropriated. The Farmers National Gold Bank of San Jose, the sixth national bank to be established in California, was organized July 11, 1874, with a capital stock of $500,000. Its officers were John W. Hinds, president, and G. D. Sparks, cashier. In 1880 the title was changed to the First National Bank of San Jose.

On September 23, 1874, the private banking firm of I. G. Wickersham & Company became the First National Gold Bank of Petaluma, with I. G. Wickersham, president, and H. H. Atwater, secretary. It had a capitalization of $200,000. In 1880, it became the First National Bank of Petaluma. In September, 1894, it sold its assets to the Wickersham Banking Company of Petaluma, which had been incorporated on September 11, 1894, with the same officers. On May 1, 1910, the latter was sold to the Swiss-American Bank of Petaluma. R. E. Hyde founded the Bank of Visalia on August 31, 1874, and remained its president until 1906. The bank was incorporated with a capital stock of $200,000. After many years of service to the community it was forced to liquidate in 1908. The Bank of Tehama County, located at Red Bluff, was incorporated on September 4, 1874, having been organized by Charles Cadwalader, who was its first president. It opened for business with a capital stock of $100,000, but within

a short time found it necessary to double that amount in order to care for its greatly increased business. W. B. Cahoone was its first cashier. It added a savings department January 25, 1922.

The Bank of Ventura was incorporated, September 19, 1874, with a capital stock of $250,000. L. Snodgrass was president, and H. M. Gay, cashier. It became the National Bank of Ventura, March 3, 1910. On March 5, 1918, it was absorbed by the Bank of Italy. The Farmers Bank of Wheatland was incorporated on October 22, 1874, with an authorized capital of $250,000, but with only a little more than one-tenth of that sum paid in. T. S. Ewing was president, and W. W. Holland, cashier. When the State Bank Commissioners made their first examination in 1879, they found that its capital had been seriously impaired. This defect was soon remedied, and the bank subsequently proved to be a profitable institution. It added a savings department January 20, 1914, and was sold to the Bank of Italy April 23, 1924.

The oldest banking house in San Bernardino County began business in 1874 under the name of Meyerstein & Company. This private banking firm later changed its title to the Bank of San Bernardino. Lewis Jacobs was its manager and later became its sole owner. It engaged in a general banking business and purchased bullion, gold bars and gold dust. It financed many of the most important business ventures in the county prior to the '80s. It was first established in a brick building on Fourth Street, but later removed to new quarters on Third Street. Jacobs remained at the head of the bank until his death in 1900, when he was succeeded by Oscar Newburg as manager. This private banking company voluntarily liquidated on July 19, 1910. In 1874, Andrews & Hollenbeck of Auburn succeeded to the banking business of Hubbard & Andrews.

The extent of the banking resources of California in the autumn of 1874 is rather clearly shown by a report forwarded to the United States Comptroller of the Currency on November 21 of that year, by James J. Green, the Comptroller of the State of California. Green advised the Federal authorities that banking companies in California were not compelled to make reports of any sort to any governmental officers, but that the savings and loan societies throughout the state had found it necessary to

publish semi-annual statements of their condition in order to retain the confidence of the public in their solvency. The reports of twenty savings and loan societies for the six months ending June 30, 1874, showed 77,517 depositors, aggregate deposits of $62,737,875, and loans and investments amounting to $63,080,297. He estimated that the commercial banks of San Francisco had capital stock and deposits aggregating $43,000,000, while those of the interior cities had capital stock and deposits of approximately $5,000,000.

Between January 1 and August 26, 1875, the high prices of gold in the eastern market drew from the state over $30,500,000 in treasure. This was nearly $15,000,000 in excess of the amount that had been forwarded during the same period in 1874. This tremendous outflow of gold seriously curtailed the activities of the banks in caring for their immediate needs. A further difficulty that had to be faced was that the price of wheat was high, and that about $5,000,000 was absorbed in moving the crop to the market, thus forcing a number of large depositors to withdraw funds from local banks just at the time when those institutions most needed their deposits. It was also claimed that certain private parties had purposely withdrawn all of the available cash so as to create a tight money market and raise the local money rates. But the most disturbing factor was the vigorous and uncompromising attacks which were made by certain San Francisco newspapers upon some of the local banks and bankers, especially upon the Bank of California and its president, W. C. Ralston.

The result was that the public mind in general was in a touchy and panicky condition. Throughout the United States the commercial failures in 1875 were 50 per cent greater than those in 1873, which had been a year of severe depression for the country as a whole. California had to a great extent escaped serious losses in 1873, but regardless of how favorably it had been situated at that time, it was bound to be affected sooner or later. The first immediate signs of an impending crash occurred on Tuesday, August 24, when the mining stock market dropped off at a surprising rate. The decline continued on Wednesday, and on Thursday the crash came.

The mining interests of the state were so intimately associated with the whole financial structure that the local money

market was necessarily affected by all stock fluctuations. The Bank of California had been the most active of all banking houses in building up the industries and mines of California. It will be remembered that this bank, an outgrowth of Garrison, Morgan, Fretz & Ralston, had been established July 5, 1864, with a capital stock of $2,500,000, which sum had been doubled in 1866. From the very first it had assumed leadership in the financial affairs of the state and also in industrial and political circles.

On Thursday, August 26, 1875, shortly after the San Francisco banks opened their doors, a slight run was started on the Bank of California, which grew in proportions as the hours passed. At 1 o'clock it was rumored that the London & San Francisco Bank, Ltd., had refused to receive the checks of the Bank of California. Between 1 and 2 o'clock the run upon the latter became a stampede of anxious and excited depositors until its corridors were packed by a mob of people. Shortly after 2 o'clock guards were stationed at the doors to keep the procession moving in and out in an orderly manner. At 2:35 the bank closed its doors. The crowd on the streets was so dense as to impede traffic.

The attention of the mob was then directed to the National Gold Bank & Trust Company, located directly across the street from the Bank of California, and a run was immediately started on that institution. Ordinarily one door would have been sufficiently wide for its patrons, but as one newspaper declared, "an entrance as ample as the Golden Gate would scarcely have admitted the anxious depositors as rapidly as they desired." Both doors were thrown open, additional paying tellers were added, policemen were called to control the crowd, and money was paid out as fast as humanly possible. The National Gold Bank & Trust Company kept its doors open until after the regular closing hours and paid out over $1,000,000.

The London & San Francisco Bank, Ltd., and the Bank of California had each paid out a similar amount. Slight runs were also made upon the savings banks, but none was forced to close its doors. The savings banks immediately announced that they would require notices as provided by their by-laws before paying out any funds. The San Francisco Stock Exchange Board and the Pacific Stock Exchange also temporarily suspended operations. The crowd lingered around the Bank of California until

10 o'clock that night, momentarily expecting developments of some sort. At a late hour a notice was posted by the National Gold Bank & Trust Company that its assets were more than sufficient to meet all liabilities, but that it would not reopen the next morning.

The directors of the Bank of California met and after considerable discussion posted a notice that the bank had been compelled to suspend, and that they were not prepared at that time to make any statement regarding its financial condition. The Merchants Exchange Bank, in which Alvinza Hayward was the chief stockholder, closed until it received $70,000 by telegraph from New York. The London & San Francisco Bank, Ltd., and the Anglo-Californian Bank, Ltd., each received $500,000 by wire from New York.

It was most gratifying that in spite of the temporary suspension of the three local banks, no mercantile firms or industrial plants were forced to close. It was also surprising that none of the savings banks of San Francisco failed. The *Chicago Tribune* of September 16, in commenting upon the situation in San Francisco, stated that,

"There is a striking contrast between the California Savings Banks, during the so-called gold panic of 1875, and those east of the Mississippi during the greenback panic of 1873. In the one case only three out of every 200 depositors try to get their money out of the banks. There is nothing worthy to be called a 'run.' The bank doors stand open. Business is transacted regularly and without interruption. No working man loses a cent of his hard-earned savings. Matters wore a different aspect in 1873 with our savings banks. The great mass of the depositors of greenbacks rushed to the banks. Many of the latter closed their doors, and, in some cases, the doors have stayed shut ever since. Millions of savings were lost, and thousands of poor families were made far poorer by being stripped of the pennies and dollars, the representatives of long and painful toil, standing to their credit on the books.

"Look on this picture, and then on that, and decide by sight whether a gold basis is an unsafe one in case of a credit panic."

The bank crash in San Francisco naturally created widespread excitement and suspense throughout the state. The three banks of Los Angeles, i. e., the Farmers & Merchants Bank, the Los Angeles County Bank, and the Temple & Workman Bank, all agreed to close temporarily, although, as was later shown to be

the case, there was no necessity for their having done so. In Grass Valley, the Bank of Thomas Findley & Company closed for a few days. The Bank of Nevada County, at Nevada City, sustained a run on Friday, August 27, and suspended payment at 4 o'clock. There was also great excitement at Virginia City and at Gold Hill, where the Bank of California had branches. Both branches remained closed. No other banking houses were affected by the unexpected turn of events.

Throughout the trying circumstances attendant upon the closing of the Bank of California, Ralston bore up with great fortitude. In response to inquiries made by the many patrons and friends of the bank, he admitted that while things looked very unsatisfactory from the outside, the assets of the bank were more than sufficient to meet all liabilities, and that everything would come out all right in the end. He pledged that he would use all of his private wealth to prevent depositors from suffering any loss, and forthwith transferred all of his real and personal property to William Sharon, with whom he had been associated for many years and to whom he intrusted the task of caring for the interests of his creditors. On Friday afternoon, August 27, the directors again met. Ralston, however, was not allowed to be present. It is said that he was barred from attending by D. O. Mills.

This incident, it is claimed, "touched him to the quick. Every director had profited by his friendship in the days of his power and prosperity. This seemed a harsh return in his hour of deep distress." He thereupon withdrew to his own office. Within a few moments, Mills came out of the directors' room and, acting upon instructions, presented Ralston with a copy of a resolution requesting his resignation as president. Ralston signed the document, returned it to Mills, and after a few words of conversation with a friend, left the office by the Sansome Street entrance to return no more. It appears that he walked hurriedly to a bathhouse at North Beach, where he had been accustomed to swim daily in the bay when the weather was satisfactory. Ralston arrived in an overheated condition and was urged by the attendants not to go into the cold water. He would not listen to their advice, entered the water, and shortly after was seen to struggle violently, and then cease. A boatman put out from shore and was soon at his side, but Ralston was dead. It was thought by

some that he had committed suicide, although an examination of the dead body proved beyond all doubt that such had not been the case. Harpending, a close friend, has written that,

"For many days Mr. Ralston had suffered a mental strain against which the human machinery is not often proof. It reached the crisis when he was excluded from the meeting of the bank's trustees. Then something snapped. Perhaps the plunge in the cool water of the bay hurried on the catastrophe, but the baseless story of Mr. Ralston's suicide ought to be set at rest."[2]

A wife and four children survived him.

The death of Ralston created a greater sensation in San Francisco than the suspension of the Bank of California. San Francisco had never known a more popular man. His unflagging energy and untiring industry were devoted primarily to the development of *his* California and *his* San Francisco. "His passion was San Francisco; his ambition, to make her one of the greatest cities in the Union, the rival of the proudest in the older East. * * * In rapid succession his fertile brain projected and his superhuman energy put through the Mission Woolen Mills, the Kimball Carriage Factory, the Cornell Watch Factory, the West Coast Furniture Factory, the San Francisco Sugar Refinery, the Grand Hotel, the Palace Hotel, the Dry Dock at Hunter's Point, the Reclamation Work at Sherman Island, the Irrigating Works of the San Joaquin Valley, the Rincon Hill Cut, the extension of Montgomery Street, and the California Theatre.

"Ralston possessed one of the greatest civic imaginations the world has produced." He was loved by rich and poor alike. He was the mainspring of the community. Among his friends and associates he was known as a prince of good fellows. "His hospitality was proverbial, his generosity was inexhaustible, his friendship was ever reliable." He assisted many a person to fortune and seldom asked anything in return. In transacting business, his speech was short and sharp. When a proposition was laid before him he grasped its significance almost before it had been explained. No banker in San Francisco ever had so many close friends and admirers. William C. Ralston had made the Bank of California the dominant institution of the Pacific Coast, and strangely enough it was William C. Ralston who succeeded in wrecking it so completely. He was reckless and ex-

[2] Harpending, op. cit., p. 272.

travagant to a great degree, hardly knowing when to stop in his plunging activities. His partner, William Sharon, said of him:

"If he got into anything there was no end to it. He never beat a retreat until he struck the ocean. In building the Pine Street house [Ralston's city residence] it was to cost $25,000. The first thing I knew it was up to $225,000. In building the Palace Hotel he wanted to get some oak planks for it and he bought a ranch for a very large sum of money and never used a plank from it. When he wanted to make the furniture for the Hotel he bought the Kimball Manufacturing Company. I said to him, 'If you are going to buy a factory for a nail, a ranch for a plank, and a manufactory to build furniture, where is this thing going to end?' "

As he became more and more deeply involved in his speculations, he felt forced to resort to questionable banking practices. For some time just prior to the failure of the Bank of California, Ralston had been accustomed to draw sixty-day bills on the Oriental Banking Corporation of London, which he discounted in San Francisco, later paying them with the proceeds of other bills similarly drawn. On August 23, he had placed in the hands of the local agent of the Oriental Banking Corporation a large amount of such bills and had asked that a cable be sent the head office in London requesting that he (Ralston) be given credit for them at the San Francisco branch. Flood and O'Brien were preparing to open the Nevada Bank in competition with the Bank of California, and Ralston claimed that they were locking up all the coin and creating a money shortage for the purpose of interfering as much as possible with the activities of his bank.

The London office of the Oriental Banking Corporation did not reply to the cable inquiry of its local agent. Funds were not forthcoming to assist Ralston in getting out of the difficult situation in which he found himself. On Wednesday night, August 25, the directors of the Bank of California met at William Sharon's house and were informed by the cashier that there was only $500,000 in cash on hand, instead of the announced $2,000,000, the remaining $1,500,000 being cash tags which had been signed by Ralston. The bank's affairs were in an astounding condition. After hours of serious discussion, the directors decided to request Flood and O'Brien to liquidate the bank, provided a guarantee of $2,000,000 was given. Flood and O'Brien, however, refused to be concerned with the affairs of the Bank of California. The bank opened as usual the next day; Ralston unsuccessfully

attempted to obtain money from various sources; the Street became suspicious, and a run ensued, the bank closing its doors at 2:35 o'clock, after having paid out all but thirty or forty thousand dollars of the cash which it had on hand.

The directors of the Bank of California had known for two and a half years before its enforced closing that the institution was virtually bankrupt. This was evidenced by the fact that on February 19, 1873, they had been advised that over $3,500,000 was due the bank from George P. Kimball & Company, the New Montgomery Street Real Estate Company, and the Mission Woolen Mills Company, none of which was at that time able to pay either interest or anything on the principal of their loans.

An agreement was entered into February 19, 1873, between John D. Fry and the Bank of California whereby Fry was to advance the sum of $3,500,000 and to have turned over to him all collateral and securities held by the bank to secure the above indebtedness. This is cited merely for the purpose of showing that the directors had information regarding the extent and character of Ralston's speculations and the degree to which he had involved the bank.

With the failure of the Bank of California, a number of meetings were held by the committee of the directors, which finally reported that Ralston's liabilities were in excess of $9,565,907, only $4,146,290 of which was secured. Of the remainder, $4,655,973 was owing the bank. This state of affairs was indeed most alarming. The bank's capital had been absorbed through Ralston's speculative activities. Had the stockholders been called upon to make good the bank's losses it would not only have ruined many of them, but it would also have paralyzed the financial world of the Pacific Coast because of the ramifications of their holdings in banks, mines, factories, etc. It was therefore proposed that a syndicate be organized for the purpose of resurrecting the bank. Its name, its reputation, its good will, its former financial standing, all were deemed to be worthy of preservation. William Sharon was finally induced to accept the task of heading the syndicate.

Sharon had been introduced to Ralston through his having come from the same part of Ohio as J. D. Fry, an uncle of Mrs. Ralston. Ralston was very favorably impressed with Sharon and sent him to Virginia City as agent for his mining interests.

Sharon was later made the manager of the branch of the Bank of California when it was established at that point. He was known as a daring speculator and a plunger who made the greater portion of his gains through an inside knowledge of conditions in the mines of the Comstock Lode which he obtained from foremen, diamond drill men and others whom he induced in various ways to provide him with advance information. Sharon was a confirmed draw poker player.

The story is told of how a friend took occasion to warn Ralston that Sharon spent a considerable portion of his time at the gambling table. Ralston asked, "Does he win or lose?" "My information," said the visitor, "is that he almost always wins." "Good," said Ralston. "He is the very man that I want." Sharon had been born January 9, 1821, at Smithfield, Ohio. He arrived in Sacramento in August, 1849. He opened a general merchandise store in that city, but the floods that winter were so severe that he moved to San Francisco, where he became a real estate and mining speculator. By 1862, he had amassed a fortune of $150,000. He has been described as a "small, nervous, wiry man, full of vitality, always shrewd, with a wonderful grasp of situations and details, * * * a financier with the mind of a lawyer, a lawyer with the education of a man of business." He formed a partnership with Ralston under the firm name of Sharon & Company, and in that connection shared in most of Ralston's ventures. Although a citizen of Nevada, he spent a great deal of his time in California. In 1875, he was elected to the United States Senate from Nevada. He died, October 13, 1885.

It was proposed that the syndicate, which was to rehabilitate the Bank of California, should collect a guarantee fund of at least $5,000,000 to replace the capital of the bank. Sharon headed the list with a subscription of $1,000,000. When he called upon D. O. Mills to do likewise, he was met with a point blank refusal. Mills declared that he had held no stock in the bank for more than two and a half years. Sharon informed him to his amazement that his stock had never been transferred on the bank's books, that many of the irregularities had occurred prior to his retirement as president, and that he was liable both as a stockholder and as a director. Ralston had over-issued the stock of the bank to the extent of 13,180 shares. Sharon advised Mills that he (Mills)

had signed some of the over-issued stock certificates and that the public would not believe that he had done so innocently.

Mills thereupon subscribed $1,000,000. James R. Keene subscribed $1,000,000, but later asked to be released. Sharon, however, reduced Keene's subscription to $250,000, and gave him a personal written guarantee against loss. N. J. Baldwin subscribed $1,000,000; the San Francisco Stock Exchange Board, $250,000; A. A. Cohen, $200,000; others subscribed smaller amounts, the total aggregating $7,000,000. Only 20 per cent of the amount subscribed was called in. Sharon experienced great difficulty in obtaining possession of the 13,180 shares of stock which Ralston had over-issued. He settled with some of the owners at the rate of 50 cents on the dollar; with others, at par. "He was deadly afraid of a suit which would bring out the full details of the irregularities of the bank and of the negligence of its directors."

Ralston had been associated with others in speculating in the stock of the Spring Valley Water Company and had in that connection borrowed heavily from some of the local savings banks. Sharon also had to take care of that indebtedness as best he could. It will be remembered that Ralston had conveyed all of his personal and real property to Sharon with the request that his obligations be liquidated therefrom. Sharon settled Ralston's indebtedness to the banks, amounting to $4,655,973.36, by a payment of $1,500,000. He also settled with other creditors at 50 cents or more on the dollar. Harpending, a close friend of Ralston, has made the statement that the latter's property was undoubtedly worth not less than $15,000,000. He asks in his book above quoted:

"What was the disposition of this vast property? No one will ever know. * * *

"Never in the whole history of finance has so much mystery attached as surrounds the failure of the Bank of California and the disposition of Ralston's fortune. James R. Keene, a trustee of the Bank of California and the only one who seemed inclined to speak, made a printed statement that upon examination of Mr. Ralston's assets he was justified in stating that they were sufficient to pay all his debts of every kind and leave a balance of three millions to his family; and it is worthy of remark that Keene had a very clear business head. * * *

"Some years later, Mr. Ralston's widow * * * brought a suit against William Sharon for an accounting under the deed of her deceased husband. After some delay, Mr. Sharon filed a general answer to the effect that the property coming from Mr. Ralston into his hands was worth about a million dollars less than nothing. But he offered $250,000 in full settlement and to avoid the endless delay of litigation and expenses that she did not have the means to meet, this adjustment was accepted by Mrs. Ralston. * * * Even Mr. Ralston's private papers and personal accounts were seized and disappeared."[3]

Great pressure was brought to bear upon D. O. Mills to head the rehabilitated bank, at least until it again got satisfactorily under way. Mills had a reputation for being a cool-headed, unemotional, austere, and conservative banker, a man of fine personal habits, in whom the public had a whole-hearted, implicit confidence as a financier of ability. He was just the man to undertake the difficult task, and he did so. When official announcement was made that the Bank of California would be reopened on October 2, the news was received everywhere with great jollification. Early in the morning of that day the crowd began to gather around the bank, and by 9:30 the streets were blocked by a surging, happy mass of people. The windows and roofs of adjacent buildings were crowded with spectators. At 10 o'clock the doors of the bank were thrown open. The first thing that attracted the attention of those who entered was the huge piles of twenty-dollar gold pieces, a portion of the $2,000,000 that had been gathered together, ready to be used if necessary. Congratulations and felicitations poured in by mail and telegraph. The officers and directors held an all-day levee in the bank's lobby. As a result of the first day's operations $1,020,000 was deposited and only $254,000 was paid out.

The Bank of California had come back into its own and thenceforth remained one of the outstanding financial institutions of the Pacific Coast and of the United States. Its reestablishment as a sound financial institution amazed not only the Californians but financiers throughout the world. The impossible had been accomplished by relatively untrained men, living and working in a young frontier community. D. O. Mills held the presidency of the bank for two years and then resigned, being succeeded by William Alvord. Mills subsequently sold all of his

[3] Op. cit., pp. 273-276.

stock and was never again associated with the institution. Alvord had been born in Albany, New York, and had settled in Marysville in 1853, where he engaged in the hardware business. In 1856, he moved to San Francisco, and established an importing and wholesale house, specializing in hardware. He was active in the organization of the Risdon Iron Works, was elected mayor of San Francisco in 1871, served as police commissioner and park commissioner for a number of years, was president of the Security Savings Bank, and remained the president of the Bank of California until his death on December 21, 1904, at the age of seventy-three. He has been described by a contemporary as being endowed with "a prepossessing appearance, courteous address, a quick judgment and much industry."

Alvord was succeeded by Homer S. King, who served as the bank's chief executive until October 13, 1909. King had been born in Ohio in 1841. He came to California with his parents at twelve years of age and settled with them in Sacramento. At fifteen, he entered the service of Wells, Fargo & Company as letter clerk in the Sacramento office. In 1863, he was made manager of that company's agency at Virginia City; in 1867, he became its financial representative at White Pine, Nevada, and was later ordered to establish a branch bank for his employers at Eureka, Nevada. He was then called to San Francisco, where he was elected cashier of the banking department of Wells, Fargo & Company and treasurer of the express department.

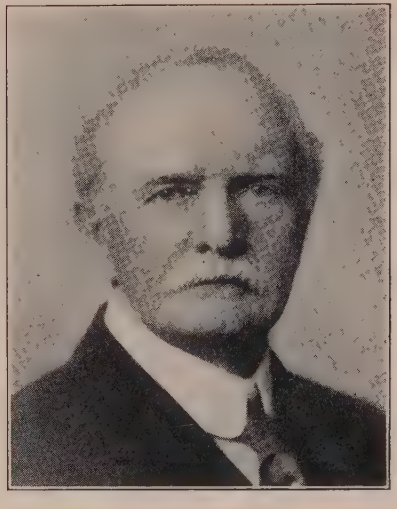
In 1876, King assisted in establishing the stock brokerage firm of Latham & King, which subsequently became Homer S. King & Company. In 1892, he was chosen manager of the Wells, Fargo Bank, and in 1903, became its president. Two years later he was made president of the Bank of California. It was King, who as president of the San Francisco Clearing House (1905-1909), appointed a strong committee of local bankers to cope with the problem of paying depositors following the destructive fire and earthquake of 1906. It was also under his presidency that the San Francisco Clearing House issued clearing house loan certificates during the severe monetary stringency in 1907. He died December 20, 1919. Frank B. Anderson succeeded him as president of the Bank of California.

On January 4, 1910, the board of directors of the Bank of California voted to apply for a national bank charter, which was

WILLIAM SHARON

W. C. RALSTON

WILLIAM ALVORD
President, Bank of California,
1877-1904



HOMER S. KING
President, Bank of California
1904-1909

granted on February 5, 1910, and the famous old bank became the Bank of California, National Association. It was permitted to take into the national banking system its agency at Virginia City, and also its branches at Portland, Tacoma and Seattle, which it had acquired in 1905 through the purchase of the London & San Francisco Bank, Ltd. It was the first, and has remained to this day, the only national bank permitted to have branches outside the state in which the head office is located. The agencies at Gold Hill, White Pan and Hamilton, Nevada, had been closed during the '70s, the agency at Nevada City somewhat later, while that at Virginia City was closed June 30, 1917. On July 31, 1910, the Bank of California, National Association, absorbed the San Francisco National Bank (the old Sather Banking Company).

All of those banks which had been closed at the time of the failure of the Bank of California had reopened their doors and had been conducting their business as usual while the latter was being reorganized. The only exception to this general statement was the Temple & Workman Bank of Los Angeles. When the crash came it had been caught unawares and experienced considerable difficulty in putting its affairs in shape. It was reopened, however, on December 6, although forced to suspend permanently on January 11, 1876. A further discussion of the effect of the banking crisis of 1875 on the Los Angeles institutions will be found in Chapter XII. Two days after the resumption of business by the Bank of California, the Nevada Bank of San Francisco was opened by the Bonanza firm of Flood, O'Brien, Fair & Mackay, and on October 5, the local stock and bond exchanges resumed operations. The London & San Francisco Bank, Ltd., also announced that it would increase its capital stock on January 1, 1876, from $3,000,000 to $5,000,000.

The only discouraging feature in the local San Francisco situation was the condition of the National Gold Bank & Trust Company. After being reopened it was called upon to redeem its gold secured bank notes in an unexpected volume, which forced it to draw heavily upon its supply of ready cash. As the days passed its reserve fund decreased rapidly, and on October 30, it was forced to suspend following a run by depositors. Its assets were placed at $2,428,281, with liabilities of $1,215,377. There was but little excitement caused by this second closing of

the bank, because it was thought that it was solvent and could in time meet its obligations. Its board of directors, on November 3, voted to liquidate, but under the management of Henry L. Davis it resumed operations on June 23, 1876, and continued in business until September 1, 1879, when it closed permanently, meeting all claims in full.

As has been previously noted, the Nevada Bank opened its doors to the public on October 4, 1875, with a paid-up capital stock of $5,000,000. All of its stock was held by five persons, i. e., Louis McLane, James C. Flood, W. S. O'Brien, John W. Mackay and James G. Fair. A branch was later opened at Virginia City and another in New York. In 1876, the capitalization of this bank was increased to $10,000,000, the largest at that time of any bank on the Pacific Coast. In the fall of 1879 it was reduced to $3,000,000, at the same time that the Bank of California reduced its stock from $5,000,000 to $3,000,000, because of the burdens imposed upon banks by the provisions of the new State Constitution which had been adopted during that year.

Louis McLane, the first president of the Nevada Bank, had come to California in 1846 on the frigate *Savannah* and was present at the raising of the United States flag at Monterey. He later took part in the Mexican War as a major and was one of Fremont's representatives at the time of the drafting of the treaty of Chauenga. In 1850, he retired from the navy and returned to California. In 1858, he succeeded Colonel Pardee as manager of Wells, Fargo & Company's Express. He was a member of the board of directors of the Bank of California at the time of its organization. He left California in 1868 for New York City to accept the presidency of Wells, Fargo & Company. While in New York City he also acted as the eastern representative for many California interests.

Upon McLane's return to San Francisco, in May, 1875, he was asked to become associated with the Bank of California, but decided, however, to ally himself with the Nevada Bank which Flood and O'Brien were then organizing. He remained its president until 1882, when he was succeeded by Flood. McLane had "the reputation of being strict in following the rules of the greatest prudence, severe in his discipline, acute in his judgment of men, able in his management, and averse to business mixed with politics." Upon retiring from the presidency he sold his

JAMES G. FAIR

WILLIAM S. O'BRIEN

LOUIS McLANE

JOHN W. MACKAY

JAMES C. FLOOD

FOUNDERS OF THE NEVADA BANK OF SAN FRANCISCO

stock to the remaining partners. O'Brien had died in the meantime (May 2, 1878), and his stock had also been purchased by the surviving partners. McLane died in December, 1905.

Seldom in the history of business or banking has there been found a story so filled with romance as that which surrounds the lives of the four partners, Flood, Fair, Mackay and O'Brien. James C. Flood was born on Staten Island, N. Y., on October 25, 1826. His parents were poor, and after a few seasons of schooling he was apprenticed to the carriage and wagon maker's trade at the age of thirteen. Five years later he was foreman of his department. His attention had been called to California by the fact that his employers had received a large order of carts to be shipped to the New Eldorado. He worked overtime, saved his earnings, and embarked for the Golden Gate early in 1849. Arriving in San Francisco, he went into the diggings, locating at Mormon Island. He associated himself with three other miners, one of whom was W. S. O'Brien, who remained his lifelong partner. It is said that Flood devised and with the aid of his associates made the first "Long Tom" used for placer mining, by taking the trunk of a pine tree, hollowing it out and providing it with "riffles." In a short time the "Long Tom" replaced the "cradle" in the diggings.

William S. O'Brien was born in Dublin in 1826. He came to the United States when but a young man, landing in New York in 1847. He made his way to California, following the announcement of the discovery of gold and arrived in San Francisco, July 6, 1849. "His genial manner and that uprightness which characterized all his dealings in business affairs won for him the respect and admiration of his comrades and, indeed, of all those who knew him."

Flood was successful at placer mining, but he had a desire to set himself up in a business which would provide a more certain income. Consequently, in company with O'Brien, he returned to San Francisco and opened a saloon, "The Auction Lunch," on Washington Street, which soon became the rendezvous of many of the most competent and best informed men in the mining fraternity. Flood was popular with his customers, many of whom were willing to tell him what they knew about the various mining ventures upon which they had worked or in which they were interested. The saloon business proved to be most profitable for

Flood and O'Brien, both of whom saved their money and carefully invested it in paying ventures.

It was in connection with some of these speculations that they came to know John W. Mackay, a practical miner. Mackay had been born in Dublin, November 29, 1831. He came to the United States in 1850, and later to California, where he worked as a miner and subsequently became personally acquainted with Fair. In 1868, through a most unexpected turn of events, Flood, O'Brien and Mackay became financially interested in the fight which was being waged to control the Hale and Norcross mine on the Comstock Lode, and as a consequence of a favorable turn of events laid the foundations for their fortunes and at the same time became associated with another fellow adventurer, James G. Fair, who remained their lifelong friend and companion.

Fair had been born in Ireland, near Belfast, December 3, 1831, of Scotch-Irish parents. His family, with the exception of his mother, came to America in 1843 and settled at Geneva, Illinois. When but eighteen years of age Fair struck out overland for California, arriving at Long Bar in August, 1849. "Here was a young giant, with head uplifted, with sleeves uprolled, come hither to command men and money, and to this end to uproot nature, turn streams from their channels, and disembowel the hills." He soon realized that placer mining was bound to be displaced by quartz mining, and consequently turned his attention to the latter. He mined for a while at Poor Man's Creek, where he met Flood and O'Brien, but he little realized that in the future their lives would be so inextricably interwoven as they later proved to be. That was in 1851.

In 1853, he took to farming at Petaluma, but failed, and again went back to the mines. It was while he was superintendent of the Hale and Norcross mine that he had occasion to call upon Flood and O'Brien for support. F. F. Low, C. F. Low and Fair held a little less than a controlling amount of the stock of this company. The Bank of California group (Sharon, Ralston and their associates) owned all of the north end of the Comstock Lode with the exception of the Hale and Norcross mine. They were determined to include that mine among their holdings. A stock certificate, covering the five shares necessary to wrest control from Fair and the Low brothers, was held in Europe and no

proxy had been given for it. However, the Bank of California group induced the secretary of the contested mine to issue a certificate in place of the one which was lacking and it was voted at the annual meeting of the stockholders of that company. Fair was displaced as superintendent. He immediately set about to induce Flood, O'Brien and Mackay to ally themselves with him. He showed them the value of the mine as a producing property. Slowly but surely the control of the majority of the stock was secured by them, and the mine passed to Flood, Mackay, O'Brien and Fair.

Fair was reinstated as superintendent, dividends were resumed, and the mine was made into one of the best paying pieces of property on the Comstock Lode. The four partners then expanded their holdings, bought up other companies on adjoining lands, sunk shafts, and finally uncovered the Great Bonanza, the premier gold strike in the history of mining operations. Almost unbounded wealth was theirs.

When the Bank of California was in difficulties in 1875, the Bonanza Kings were asked to take it over, but they refused to do so, and instead opened their own institution, the Bank of Nevada, which proved to be a successful and profitable venture. O'Brien died May 2, 1878, leaving an estate of approximately $15,000,000. In 1883, Fair, who was then United States senator from Nevada, severed his connection with the bank, selling his stock to Flood and Mackay. Flood had succeeded McLane as president. The bank during this period was very active in floating the securities of railroads and public utilities in the state. Within a few years Flood began to break in health, and being unable to give his usual care and attention to the affairs of the bank was compelled to rely more and more upon the advice and counsel of trusted employees. The bank, through its officers, became involved in a rash attempt to corner the wheat market, and in 1887 its condition became so serious as to force it to the verge of bankruptcy. Under such circumstances Fair was appealed to by his old partners to come to their assistance. He could not resist, and consented to take over the bank's affairs and assume all responsibilities. That was on September 13, 1887.

Flood, shattered in health and spirits, retired, sailed for Europe, and died at Heidelberg, Germany, February 21, 1889, leaving a widow and two children. Fair was elected president of

the bank, and almost immediately regained for it the confidence of the public. "It is one of the grandest feats of financiering on record, one man thus coming to the rescue of a gigantic concern, and putting it on its feet in a moment." It is said that the attempted wheat corner had cost Flood and Mackay each approximately $8,000,000. Fair, having saved his old mining partners from bankruptcy, resigned the presidency of the bank on October 9, 1889, and was succeeded by James L. Flood. Fair died in San Francisco December 28, 1894.

Mackay, the last surviving partner, organized the Postal Telegraph and Cable Company in 1882, with headquarters in London. In conjunction with the Flood and Fair interests, he sold the greater part of his stock holdings in the bank to Isaias W. Hellman and associates in 1890. Hellman, the most outstanding banker in the southern part of the state, removed to San Francisco and assumed the presidency of the Nevada Bank. Mackay, the last of the four faithful friends of Bonanza days, passed away in London, July 20, 1902. Under the direction of Hellman and his associates, the Nevada Bank prospered. In 1897, it became the Nevada National Bank, and in 1905, was merged with that old pioneer institution, the Wells, Fargo & Company Bank, the resulting corporation being known as the Wells Fargo Nevada National Bank. Finally on December 31, 1923, the latter in its turn merged with the Union Trust Company of San Francisco, another Hellman institution, gave up its national charter, and became the Wells Fargo Bank & Union Trust Company. Thus the last trace of the banking house, established by the Bonanza Kings, passed from the local banking realm.

Two other banks, of much less importance than the Nevada Bank, were established in San Francisco during 1875. The Market Street Bank of Savings was opened June 15, at 634 Market Street, with E. P. Brunner, president, and William J. Connoly, cashier. The new banking company announced in its prospectus that it was intended "to fill a want in loaning deposits to merchants and manufacturers, to be repaid in sixty to ninety days, instead of making long loans, as is the present custom of savings banks." The bank started with a capital stock of $300,000, two-thirds of which was paid up. It did not meet with success, and retired October 16, 1877.

The Commercial Bank of San Francisco was also started in

the summer of 1875. Its organizers had greater hopes of the future than did those who had incorporated the Market Street Bank of Savings, for they capitalized their institution at $5,000,000. The bank was located at 421 California Street. J. O. Hanscom was president; George M. Pinney, vice president; and Seth Pinkham, cashier. Pinney was one of the outstanding disreputable politicians of the day. He first appeared before the public as the chief clerk of the United States Mint in San Francisco. He was so useful politically that he was later made the clerk of the United States Naval Pay Inspector with practically no duties to perform. He spent his time working for the state political bosses and in speculating rashly in mining stocks, it being said that at one time he was so successful as to have made a million dollars in the latter manner, all of which, however, was subsequently lost in the stock market.

Pinney, as the clerk of the Naval Pay Inspector, issued most freely a kind of negotiable paper officially sanctioned by the Secretary of the Navy, known as "navy pay certificates." They were issued for the benefit of certain favored Federal contractors "for work done or material furnished whenever the funds therefor should be available." The certificates were used by contractors and others, including Pinney, as collateral for loans obtained from the local banks. The Masonic Savings Bank, the Savings & Loan Society, and the Bank of California held approximately half a million dollars of these navy pay certificates as security.

On September 1, 1875, Pinney surreptitiously slipped out of the Golden Gate on the British ship "Baron Ballantyne," but although the real cause of his departure was kept from the public for two years, his sudden disappearance aroused so much suspicion that the Commercial Bank was compelled to close its doors in December, 1875. Pinney's return and his public confession in May, 1877, rocked the political and financial worlds of San Francisco and of the state. He openly accused his old masters of the most astounding political corruption. He also gave the public a vast amount of inside information regarding the scandalous and astounding laxity of bank management in San Francisco. It was his disclosures that made possible the enactment of the law of 1878, creating a State Board of Bank Commissioners, which brought about the first official investigation of California banks and the enforced closing of five of them.

The banks, which held the largest amounts of the worthless navy pay certificates, attempted to collect thereon, but were unable to do so, it being held by the courts that the certificates were mere promises to pay under certain contingencies provided those contingencies ever arose, and that they were neither fraudulent nor illegally issued, even though they were worthless.

A number of banks were organized in the interior of the state during 1875. Mention has already been made of the establishment of the First National Gold Bank of Oakland, on April 10, 1875, which later became the First National Bank of that city and was absorbed by the American Bank of San Francisco on October 11, 1924. Previous pages have also contained the story of the founding of the Union National Gold Bank of Oakland by A. C. Henry on May 20, 1875, and its subsequent failure in April, 1909.

Mention has also been made of the Sacramento Bank incorporated January 28, 1875, with a capital stock of $500,000. C. H. Swift was the first president and E. R. Hamilton, the first cashier. This bank early gained the confidence of the people of Sacramento because of the ability and reputation of its officers. In 1880, it absorbed the Sacramento Savings Bank, which Swift had also established, and on September 30, 1915, it purchased the Capital Banking & Trust Company of Sacramento. In 1920, under the direction of one of its later presidents, J. M. Henderson, Jr., it began a policy of expansion, by purchasing the Fort Sutter National Bank of Sacramento, the Farmers & Merchants Bank of Stockton and its branch at Oakdale, the First National Bank of Modesto, and the Union Savings Bank of Modesto. On August 14, 1920, all of those institutions were merged into one group, known as the Sacramento-San Joaquin Bank, with a capital of $3,000,000 and resources of $32,000,000. J. M. Henderson, Jr., was president of the merger and George W. Kramer, cashier. On January 31, 1923, the Union National Bank of Fresno and the Merchants National Bank of San Francisco were purchased, and on March 13, 1923, they were merged with the Sacramento-San Joaquin Bank into a new institution known as the United Bank & Trust Company with a capital stock of $4,500,000 and resources of $45,000,000. Rudolph Spreckels was the first president of this larger organization, J. M. Henderson, Jr., was chairman of the board, and Richard Yates was vice president

and cashier. The head office of the bank was also moved from Sacramento to San Francisco.

The Merced Security Savings Bank was organized March 11, 1875, with a capital stock of $30,000, which was later increased to $300,000. The Bank of Santa Clara County at Santa Clara was incorporated May 31, 1875, with a capital of $300,000, $105,000 of which was paid up. James P. Pierce was president and J. F. Nesmith, cashier. It voluntarily liquidated during the panic of 1893. The Sonoma Valley Bank of Sonoma was incorporated on June 9, 1875, with an authorized capital of $100,000, of which $53,000 was paid up. Its president was David Burris and its cashier, Jesse Burris. It was sold to the Central Commercial and Savings Bank of Vallejo, December 16, 1922. On July 23, 1925, the latter was purchased by the Liberty Bank of San Francisco.

The Bank of Tomales was incorporated on June 30, 1875, by E. H. Kowalsky, Warren Dutton, Thomas J. Abels, John Griffin and George Hunn, with a capital stock of $100,000. It opened on September 27, with Warren Dutton as president and Thomas J. Abels as cashier. The bank building and its contents were destroyed by fire on August 17, 1877, but the bank resumed operations immediately thereafter. On March 30, 1900, it became the Bank & Trust Company of Tomales. On November 20, 1912, the title of the bank was again changed to the Bank of Tomales, and on February 2, 1923, it and its branch office at Point Reyes were merged into and with the Dairymans Bank of Valley Ford.

The Santa Barbara County Bank was chartered July 26, 1875, with $100,000 capital stock, $70,000 of which was paid in. W. M. Eddy was president and E. S. Sheffield. cashier. On February 20, 1880, it became the Santa Barbara County National Gold Bank. It later dropped the word "Gold" from its title, and in 1920 it added the word "Trust," becoming the Santa Barbara County National Bank & Trust Company. The Bank of Santa Cruz County of Santa Cruz was incorporated August 10, 1875, with $200,000 authorized capital stock, but with only a little more than one-third of that amount paid in. It was sold to the Santa Cruz National Bank on May 2, 1910.

The Commercial Bank of Los Angeles was incorporated September 25, 1875, with N. S. Patrick, president, and E. F. Spence, cashier. It was capitalized at $300,000, with a little more than one-half that sum paid in. This old banking house became the

First National Bank of Los Angeles in October, 1880, the latter having continued down to date as one of the most influential factors in the upbuilding of the industrial and agricultural life of the southern part of the state. Further data dealing with this prominent banking firm will be found in Chapter XII.

The *Banker's Almanac and Register* for 1876 credited California with 9 national banks, 45 state banks, 25 savings banks and 60 private banks. In the spring of 1875, the banking capital of California was approximately $140,000,000 in gold; a year later it had increased to $154,000,000. The *Commercial Herald* of San Francisco, in the spring of 1876, declared that the deposits of private banks and incorporated commercial banks of San Francisco aggregated $30,000,000, while those of similar institutions in the interior of the state totalled $6,000,000. It claimed that the savings banks of the state held deposits of approximately $72,000,000, making a grand total of $108,000,000 in deposits for the state as a whole. It estimated the total capital stock of the banks of California to be not far from $40,000,000, and the surplus assets at about $60,000,000. It declared that,

"An exhibit like this, immediately following on the heels of calamities that drained all the currents of business, cannot fail to convince even the most skeptical of the inherent health and financial power of California. And it is all the more astonishing, in view of the fact that in the midst of our troubles we were shipping large amounts of gold and silver, having sent abroad nearly $13,000,000 in excess of all treasure exports of 1874."

The outstanding event in the local financial world during 1876 was the establishment of the San Francisco Clearing House, the first in California. The idea of a clearing house had been broached previously by a few of the San Francisco bankers, but it had met with considerable opposition by those who feared that it would provide too much information to their competitors. Clearing houses, however, had been successfully operated in other parts of the United States, the first having been organized in New York City in 1853. On December 22, 1875, a committee of San Francisco bankers finally met and drafted a plan, but not without vigorous opposition from some of the members of the committee.

On February 4, 1876, the San Francisco Clearing House was organized with Milton S. Latham of the London & San Francisco Bank, Ltd., as president, and A. McKinlay as secretary. The

original members were: First National Gold Bank of San Francisco, Anglo-Californian Bank, Ltd., Bank of California, Bank of San Francisco, Merchants' Exchange Bank, Bank of British Columbia, Bank of British North America, London & San Francisco Bank, Ltd., Belloc Frères, B. Davidson & Company, Swiss-American Bank, Hickox & Spear, Sather & Company, Donohoe, Kelly & Co., and Wells, Fargo & Company's Bank. On March 10, the San Francisco Clearing House was opened for its first clearing. At a meeting of the directors held on June 30, five banks, which had previously held aloof, were admitted to membership, viz., the Nevada Bank, Lazard Frères, the Pacific Bank, the National Gold Bank & Trust Company, and Tallant & Company. This made a total of twenty banks in the clearing house at that time. During 1877, three banks, the Bank of San Francisco, the Merchants' Exchange Bank and the Swiss-American Bank, withdrew because of their having retired from the banking field.

T. S. Taylor was the first manager of the clearing house, retiring August 31, 1877. He was succeeded by Charles Sleeper. From March 11 to December 31, 1876, the total clearings amounted to $476,238,375.40. Within a year after it had been organized it ranked fifth or sixth among the clearing houses of the United States as to the amount of business transacted. George R. Gibson, writing in the *Banker's Magazine* of April, 1877, stated that, "All the indications of the time point to an early future when San Francisco will rank with London and New York as the clearing houses of the world." As the years have passed, the San Francisco Clearing House has come to occupy a position of prominence among similar institutions in the United States. It has always been of invaluable service to the bankers of the San Francisco Bay region. With the growth of population and the development of the banking resources of the interior and southern parts of the state, other clearing houses have been established. But the detailed story of their origin and progress is deferred to Chapter XXIV.

In January, 1876, an interesting decision was handed down orally by Judge Sawyer of the United States Circuit Court exempting the branches of foreign banks operating in San Francisco from local taxation. Other banking houses had been assessed approximately 1½ per cent on their capital stock, but when the city tax collector attempted to collect the tax from the

foreign banks, they protested and carried the case into the United States courts. They claimed that they employed no capital in conducting their business in California, that the capital which they used belonged to the head office in London, and that whenever they wished to make use of any of the latter they drew and sold bills of exchange against the home office. Their contention was upheld by the court. The decision, however, met with considerable opposition from the local bankers, who claimed that the foreign banks had many local stockholders who had a voice in the management of the San Francisco branches, and that it was not fair to exempt those stockholders from State and local taxation merely because they had their money invested in a foreign corporation. Nothing, however, came of the agitation. Many years were to pass before foreign branches were forced to incorporate under the California laws and be subject to the same rules and regulations as local institutions.

In February, 1876, the Odd Fellows Savings Bank of San Francisco was publicly criticized by one of its former directors who made astounding charges against its management. A slight run resulted, but it was met without difficulty. The bank remained in good standing until in the fall of 1878, when it suffered a serious run, after which it was reorganized as a stock company. It was, however, forced to close on February 5, 1879, under circumstances which will be discussed later in this chapter. The Collateral Loan & Savings Bank was opened on May 16, 1876. It had been incorporated March 15, 1876, with a capital stock of $2,000,000, to loan money on stocks, bonds, diamonds, etc. It guaranteed 1½ per cent per month on deposits. Solon Pattee was its first president. It was compelled to close on November 16, 1877, primarily as a result of the arrest of its manager, John Tyler, Jr., on a charge of grand larceny. The *Alta California* of November 17 stated that the "affairs of the concern are believed to be in an advanced state of decomposition." Liabilities were estimated at approximately $100,000, with but $700 cash on hand. The report of the receiver filed January 14, 1878, showed that the bank's books were in a most unsatisfactory condition, no entries having been made for many months prior to its closing. Numerous clerical errors and fraudulent entries were also uncovered. The manager of the bank was held on $19,000 bail, but mysteriously left San Francisco in the early part of

December, 1877, and so far as I have been able to ascertain, was never apprehended. His bookkeeper had disappeared the day before the bank closed.

The Western Savings & Trust Company of San Francisco closed its doors in July, 1876, as a result of the dissatisfaction of its stockholders with the actions of the directors. It was claimed that the latter had fraudulently manipulated the capital stock, had sold it on easy terms, and had taken back some issued stock without changing the capitalization of the bank. It will be remembered that this bank had been established in July, 1873, with a capital of $1,000,000, its stockholders being selected primarily from the policyholders in the Pacific Mutual Life Insurance Company. On July 11, it was decided to liquidate the affairs of the bank and also to bring suit against the directors for the recovery of wasted funds. There was also some talk of organizing a syndicate to revive the bank, but this plan was later abandoned. Fred Clay, an ex-vice president, was arrested and accused of embezzling money and of making false entries in the books of the bank. In the bankruptcy suit it was declared that the bank had assets of $81,519.86, and liabilities of $97,644.97. In October, before the affairs of the bank were finally settled, there was renewed agitation for the reopening of the bank and for its reorganization, because its liquidation had not been legally sanctioned by a sufficient number of the stockholders.

The plan to revive the bank, however, came to naught because of a scandal that arose in connection with the activities of Solon Pattee, the receiver of the bank. Pattee was president of the Collateral Loan & Savings Bank. He was accused of having used the funds and securities of the Western Savings & Trust Company to bolster up the condition of his own bank. It was also stated that he had falsified statements and had delayed publication of certain information regarding the condition of the bank of which he was receiver, and that he had appropriated its furniture and fixtures for the use of his own institution. This scandal made it impossible for the stockholders to do anything toward reorganizing the Western Savings & Trust Company. As has been noted above, the Collateral Loan & Savings Bank itself closed on November 16, 1877.

In September, 1876, the San Francisco newspapers announced that the old importing house of Lazard Frères would, in the fu-

ture, devote itself solely to the banking business. This house had excellent French connections and was the representative of the French Government on the Pacific Coast. Alexander Weill was selected as manager. In 1884, it became the London, Paris & American Bank, Ltd., incorporated under a British charter, with a capital stock of £400,000. David Cahn was manager, Eugene Meyer, assistant manager, and Charles Altschul, cashier. In 1893, Sigmund Greenebaum, who had been engaged in merchandising, became manager, and from that time until his death in 1919, occupied a prominent place in the financial affairs of San Francisco. In 1908, Herbert Fleishhacker and associates obtained control of the bank and nationalized it as the London Paris National Bank, with a capitalization of $2,000,000. Sigmund Greenebaum was president and Herbert Fleishhacker, vice-president and manager.

In January, 1909, the latter merged with the Anglo-Californian Bank, Ltd., under the name of the Anglo & London Paris National Bank, with a capital of $4,000,000 and surplus of $1,500,000. Ignatz Steinhart was chosen chairman of the board of directors; Sigmund Greenebaum, president; Herbert Fleishhacker, first vice president and manager; and Richard Altschul, cashier. In 1916, the Anglo & London Paris National Bank absorbed the commercial banking business of the local office of the International Banking Corporation. In 1920, it opened a New York office.

The Bank of Commerce was organized in San Francisco in December, 1876, with a capital stock of $1,000,000, to engage in a general banking business. It was not incorporated, however, until the following February. DeWitt C. Thompson was president and A. W. Preston, cashier. The former had been cashier of the National Gold Bank & Trust Company of San Francisco at the time of its temporary suspension in 1875. He had also been president of another ill-fated bank, the Dime Savings Bank, which had been started in 1875, but which had closed shortly thereafter. The Bank of Commerce had a rather unsatisfactory career, and suspended in the fall of 1878.

There were very few banks established in the interior of the state during 1876. The Bank of Suisun was incorporated on February 9, with a capital stock of $100,000. R. D. Robbins was

president and W. Wolf, cashier. This institution became the Bank of Suisun, National Association, on April 19, 1920.

The Bank of Vallejo was chartered September 25, 1876, with an authorized capitalization of $150,000, under the management of D. W. Harrier, president, and J. E. Abbott, cashier. It retired in 1881, paying its depositors in full. The private banking house of W. A. C. Smith of St. Helena was opened in February, 1876. It retired some time during 1887-88. In November, Jacob Weissbein established the private bank of Weissbein Brothers & Company at Grass Valley. This firm voluntarily liquidated some time during 1901-02. The Bank of Anaheim was chartered September 27, 1876, with S. H. Mott, president, and B. F. Seibert, cashier. It was capitalized at $100,000, but only $20,000 was paid in at the time it opened for business. It failed during the panic of 1893.

The Citizens Bank of Nevada City was organized on September 19, 1876, with a capital stock of $200,000, only $50,000 of which was paid in. E. M. Preston was president and J. T. Morgan, cashier. It absorbed the First National Bank of Grass Valley in 1889, and made it a local branch. On August 9, 1920, it and its Grass Valley branch were purchased by the Nevada County Bank of Grass Valley which had been incorporated October 12, 1900. The Bank of Fresno was chartered October 31, 1876, with Lewis Leach, president, and Otto Froelich, cashier. It had an authorized capital stock of $250,000, less than one-fourth of which was paid in. It suspended in 1879.

So far as I have been able to ascertain, the first attempt to encourage the deposit of municipal funds in banks for safe keeping was made in 1876. In May, 1876, the San Francisco newspapers carried an item to the effect that the treasurer of San Jose was to place the city funds in local banks, the latter agreeing to pay interest on the same. A bill was also introduced in the Legislature of that year, authorizing banks to become custodians of county funds. It was opposed, however, on the ground that politics would enable "pet" banks to obtain the use of public funds. Nothing came of the proposal. It was not until March 20, 1905, that a law was passed permitting the State, under certain conditions, to deposit its money in banks. In the legislative session of 1876, a bill was introduced to limit bank investments to

loans upon real estate located within the state and also to a restricted list of bonds. This measure also failed to pass.

The years 1877 and 1878 were filled with sorrow, disappointment and losses for the stockholders and depositors of the banks of California. The continued business depression, the widespread unemployment, the growing poverty of the masses, all made inevitable an unsatisfactory state of affairs so far as the banks were concerned, and many went down in the crash that ensued. Those that were not forced to liquidate saw their deposits and reserves dwindle daily until they seriously questioned their ability to withstand the pressure of their creditors. The bank failures of 1877 and 1878 were so numerous and so serious in character as finally to bring about the enactment of a law calling for the appointment of a State Board of Bank Commissioners which, for the next thirty years, played an active and important part in the banking history of California.

In spite of the discouraging outlook, however, a few banks were started in San Francisco and in the interior of the state. In January, 1877, the Mutual Cosmopolitan Savings Bank of San Francisco was organized to do a general banking business. In less than twelve months it was forced to close its doors because of court proceedings begun in the Twelfth District Court by one of its depositors, who claimed that during the preceding two months the bank's depositors had withdrawn more than $60,000, that it had lost a considerable proportion of its business, and that its finances were in such a state as to render it unable to pay its depositors in full. The Miners' Bank of Savings of San Francisco was incorporated in March, 1877, with a capitalization of $5,000,000, but so far as can be ascertained from the records it appears never to have opened for business.

Another bank of similar import was the Universal Industrial Bank, which opened during the year at 734 Montgomery Street, but which closed without having made any impression upon the local financial world. Some of the depositors and other creditors of the French Mutual Provident Savings & Loan Society of San Francisco became dissatisfied with its management and on March 26, incorporated the Franco-American Savings Bank with a capital of $300,000. A. Comté, Jr., was selected as manager and L. Brand as cashier. This banking house opened for business on May 1, 1877, and for several years thereafter proved to be

one of the soundest savings banks in San Francisco. It had been organized, however, at a most inauspicious time. Its founders also hoped to have it succeed to the business of the French Mutual Provident Savings & Loan Society, but the latter was reorganized, regained the confidence of the public, and thus made a second French savings bank unnecessary. Accordingly, the Franco-American Savings Bank voluntarily liquidated in 1881.

During 1877, there were but three banks established in the interior of the state. On September 1, the Farmers & Mechanics Bank of Healdsburg was incorporated with a capital stock of $200,000. E. Harrison Barnes was the president and R. G. Warfield, the cashier. This bank was located on the Plaza and was incorporated to transact a general banking business. On December 5, 1908, it absorbed the Bank of Healdsburg. On May 1, 1912, it nationalized its commercial department as the First National Bank of Healdsburg, and three days later sold its savings department to the Farmers & Mechanics Savings Bank. On April 10, 1926, the latter became the First Savings Bank of Healdsburg. The Mono County Bank of Bodie was incorporated on August 10, 1877, with O. H. LaGrange president and H. F. Hastings, cashier. It was capitalized at $100,000, but only $17,000 was paid in. This bank retired on January 14, 1886, because of heavy losses suffered as a result of depreciation in property and security values.

The first signs of an oncoming catastrophe appeared in August, 1877, when the Merchants' Exchange Bank of San Francisco (Alvinza Hayward's Bank) announced that it would voluntarily liquidate. This step had been deemed advisable because of the large amount of local capital available for investment, the stagnation in mercantile and stock circles, and the decrease in the business of the bank due to ruinous competition. The bank was solvent and paid all claims in full. On October 13, 1877, the Swiss-American Bank announced its withdrawal from the San Francisco Clearing House and its intention to receive no deposits in the future, but to confine its activities exclusively to the purchase and sale of bullion. On November 28, the Bank of San Francisco also withdrew from the clearing house, and voluntarily liquidated, paying its depositors in full.

The outstanding failure of the year was that of the Pioneer Bank of Savings & Deposit of San Francisco, which had also

been known as the "Pioneer Land & Loan Bank of Savings," or more popularly as "Duncan's Bank." As may be remembered, it had been organized in April, 1869, with a capital of $1,000,000. The bank had progressed very slowly, so Duncan, in 1877, created two other institutions to act as feeders. On August 23, 1877, he organized the Union Bank with $1,000,000 capital stock, and approximately a month later incorporated the Fidelity Savings Bank with a capital of $250,000. So far as is known the Union Bank never opened, while the Fidelity Savings Bank survived for about a month before it was forced to close because of the failure of its affiliated institution on October 8. On that date, the citizens of San Francisco were amazed to read an announcement by J. C. Duncan, the manager of the Pioneer Bank of Savings & Deposit, addressed to its depositors to the effect that,

"The heavy payments required of the bank forced it to borrow on its securities, at heavy rates of interest, at a fourth of their real value. Saturday afternoon notices of large sums of money required Monday, and the persistent circulation of rumors against its credit, caused serious apprehensions, and required prompt action. On Sunday up to a late hour of the day, it was believed that the demands could be provided for, but the withdrawal of aid that was depended upon forced the bank into liquidation. The officers and clerks of the bank can verify the one fact, that not a dollar of its money has been personally appropriated. Everything done has been for the purpose of sustaining the bank and saving it from disaster. My own means, to the last dollar, have been absorbed in doing this. My son, William T. Duncan, has given over $140,000, as shown by his account, to help sustain us. This he loses and does not ask for any recognition in the disposition of assets."

A list of assets was appended, showing that the bank was supposed to have claims and properties totaling $1,213,000. A subsequent statement, however, showed that the liabilities of the bank were considerably larger than its assets. The amount due the 2,468 depositors aggregated $1,235,404.35. As the receivers proceeded with their work of adjusting the affairs of the failed institution it was seen that the depositors would realize only a nominal sum on their claims. The failure of the bank had been caused by mismanagement, speculation, and the attempt to pay one per cent per month on deposits, while other banks were paying but seven and eight per cent per year. The depositors were mostly

of the poorer classes who were desirous of securing the largest possible interest returns on their meagre savings. With the closing of the Pioneer Bank, Duncan and his son-in-law, B. F. LeWarne, disappeared.

Investigation of the affairs of the bank disclosed that Duncan had undoubtedly taken $10,000 of the bank's money with him. When the bank had closed it had about $15,000 on hand. It was also discovered that Duncan, who was one of the trustees of the Safe Deposit Company of San Francisco, and his son-in-law, B. F. LeWarne, its secretary, had been guilty of raising a number of stock certificates of that company and selling them to the public. The method used was to write the amount in words instead of figures, and to draw no line after the words even when a large blank space remained, enabling LeWarne to manipulate the certificate at his leisure and to write, for example, after the word "ten," the words "hundred twenty," thus changing a ten-share stock certificate to one calling for 1,020 shares. Over 4,000 spurious shares of stock were disposed of in this manner, netting the manipulators approximately $100,000.

It was believed that the proceeds of the over-issue had been dissipated in a vain attempt to keep the Pioneer Bank solvent and also to bolster up certain stock operations in which Duncan and his son-in-law had been interested. Duncan was practically the only stockholder in the Pioneer Bank. Its officers and directors had been mere dummies whom he had selected. It was claimed that it was no unusual thing for the bank to open at 10 o'clock in the morning without a cent of money on hand. Duncan was accustomed to borrow heavily so as to have funds available in case of temporary embarrassment. The cashier admitted that there had seldom been more than $8,000 in the bank at any one time.

Following the closing of the Pioneer Bank, on October 8, there was a run on the Fidelity Savings Bank, located at 405 Montgomery Street. No coin was found on the counters, and an examination of the vault showed that it contained nothing. One of the officers of the bank declared that there had never been more than $900 on deposit, and that the run had absorbed all of the bank's funds. A reward was offered for the arrest of Duncan and his return to San Francisco. He was finally captured in the rooms of a dressmaker, concealed in the framework of a bureau from which all of the interior had been removed. He was

subsequently tried four times, the jury disagreeing in each case, and was then discharged.

The receivers appointed to wind up the affairs of the Pioneer Bank concluded their report with the following statement: "But we cannot close without demanding from our representatives in the Senate and Assembly to secure the enactment of a law, in the coming session of the Legislature, for the appointment of a bank commissioner who shall have the power to examine any bank at any time, and close it up if found insecure, mismanaged or an unsafe depository for the money of others."

On October 16, 1877, the Market Street Bank of Savings failed. It had been organized on January 21, 1875, and at the time of its failure was under the management of Thomas B. Lewis, its president. It was one of the smaller, less important savings banks in San Francisco, with only 300 depositors and approximately $134,000 in assets. None of the prominent banking institutions of the state was affected by any of the forced suspensions which occurred in San Francisco.

California in 1877 was credited with having 9 national banks, 47 incorporated state banks (savings and commercial), 23 mutual savings banks, and 67 private banks, a total of 146. When one considers the facts of the situation, it is truly amazing that more insolvencies did not occur. Banks could be established with as little as 10 per cent of the capital stock paid in, and this 10 per cent was not always paid in cash. Promissory notes without security were frequently accepted in lieu of cash. There was no state inspection of banks, no requirements as to reserves, capitalization or banking practices, and nothing to prevent anyone under any circumstances from setting himself up as a private banker. Safety was too frequently sacrificed to the desire to obtain greater profits. California was inevitably to reap the disastrous results of having so consistently pursued a policy of "hands off" in the banking field.

The year 1878 was for the California banks one of the most discouraging and disheartening periods ever experienced. Hardly had the year opened when the old well known firm of Hickox & Spear suspended, with liabilities and assets of nearly equal amounts, each being approximately $350,000. The firm had enjoyed an excellent reputation. Some years prior to its suspension, a confidential clerk had embezzled a considerable sum

of money from the bank. Shortly before it closed its doors it had cashed a check which had been raised from $30 to $16,000. But the immediate cause of the suspension was the difficulty which the firm experienced in obtaining adequate funds to meet a large payment in New York City, which could not be done without jeopardizing the interests of its creditors.

The failures of savings banks in 1877 had caused a renewal of the demand for the appointment of some sort of supervisory body clothed with authority to investigate and report upon the condition of the state's banking institutions. The need had been felt and expressed earlier, for in March, 1872, a bill had been introduced into the State Legislature calling for the appointment of a bank commissioner with powers to investigate and supervise banking in California. This measure was bitterly opposed by many of the bankers and by some of the leading newspapers. The *Alta California* of January 16, 1872, commented upon the proposal in the following manner:

"The bill to create a Bank Commissioner to examine all banks and 'other corporations' is particularly foolish, in the judgment of everyone except the man who is to receive $400 a month for pestering corporations with his presence, and being 'seen' by them occasionally. The power of the Legislature to control or cause the examination of banks and corporations extends only to those which it creates by legislative action, and then only in respect to the privilege it grants to them. It has no more right to control or examine the affairs of a private banker than those of a private shoemaker or other industry. In San Francisco and in the State, the banking business is conducted almost altogether by private bankers who ask no favors of the Legislature and obtain no privileges. There are twelve or thirteen of these banks, and there is the National Gold Bank, with all of which the Legislature has or can have no concern."

Again on February 2, 1872, it declared that,

"Of course, the majority of commercial banks being private, no Commissioner can meddle with them; but there are the Savings Banks, where the deposits of the public have long been excited by an "itching palm" among demagogue politicians. At one time an attempt is made to get hold of unclaimed deposits; at another time it is proposed to make the banks lend depositors money on personal security; at another time to require a maximum rate of interest on loans; at another time a limit on the interest paid to depositors, etc., and now, by this Bank Commis-

sioner bill, it is sought to open the doors to entry and seizure by the sheriff on the ex parte report of a partisan Bank Commissioner. The monstrous proposition is put forth that a Commissioner, on his badly informed and inexperienced judgment, may cause the seizure by the sheriff of a bank and all its assets, and if it shall turn out that the Commissioner was mistaken and the bank was perfectly sound there is no redress for the sufferers. The public had an example some time since of a malicious report spread against one of the soundest institutions in any country, but which caused panic for a short time. If there had been a Commissioner at that time to let loose the sheriff upon the institution the most terrible suffering would have resulted from pure malice."

On March 16, 1872, it asked whether or not

"the forty thousand saving citizens will pay four thousand dollars per annum to a political parasite, who perhaps never did an honest day's work or saved a dollar, under pretense that he is looking after their savings. It is rumored that an old employee of the Merchants' Exchange, who was discharged for improper conduct, is slated for the job. A bank commission can add nothing to the safety of a well conducted bank. A badly managed bank would bribe the commissioner."

The measure did not receive the sanction of the legislators.

Again during the session of 1874 another bill was introduced calling for the appointment of a bank commissioner at a salary of $3,000, and an assistant at $150 per month. The bank commissioner was to be empowered, whenever he deemed it necessary for the public good, or when directed by the governor or comptroller of the State, or when requested by the verified petition of three persons interested as stockholders, depositors or creditors showing that the corporation in question was bankrupt, to examine and ascertain the condition of any bank. A refusal to exhibit all of the books, vouchers, etc., was punishable by a fine of $1,000 or by imprisonment of three months. Examinations were to be of a private character unless the safety and interests of the public required that they be made public. The bank commissioner was to have authority to issue a certificate permitting corporations to carry on the banking business, and also to have the power to revoke the same for cause. The banks examined were to pay all expenses. Nothing, however, came from this second proposal.

In the session of 1876, several bills were introduced into the

Legislature dealing with banking matters. On February 3, a bill was reported back to the Assembly with the unanimous recommendation that it pass. This measure proposed to create the office of bank commissioner. No official or stockholder of a bank was to be eligible to the position. The bank commissioner was to have general supervision of banks operating within the state, to make personal examinations of banks and loan societies, to collect bank records, and to require an annual statement from all banks.

The bill was very bitterly fought in the Assembly, where the fear was expressed that too much power was being placed in the hands of one person. It was also felt that the exposure of bank methods and bank conditions would shake public confidence in the financial institutions of the state. The bill failed to pass the Assembly on March 2, and was not revived during that session. The Legislature, however, did pass a bill signed by the governor on April 1, 1876, requiring all banks to file semi-annual statements with the county recorder as to their condition. These reports were to a great extent prepared in such a manner as to conceal rather than to disclose the exact financial status of the institution in question.

Private banks and the branches of foreign banks paid no attention to this law, claiming that they were not subject to State supervision. It was not until March 10, 1887, that the law was changed so as to specifically cover private banks and foreign bank branches and compel them to report semi-annually to the State bank commissioners, which board the Legislature had created in the meantime. This requirement caused many of the private banks and bankers to incorporate. It was not until March 20, 1905, that private banks were compelled to submit to examination by the State bank commissioners. This latter amendment caused an even greater number to take out state charters, but private banking as such was not prohibited until 1913.

But, the demand for some sort of supervisory regulation would not be quieted. Governor Irwin, in his message to the Legislature of 1877-78, sensed the will of the people and urged the necessity of enacting some sort of "legislation, providing for the better protection of depositors in savings banks. The class of persons who deposit their savings in these institutions are entitled to all the protection against the mismanagement or rascality of those who conduct them which it is possible for the law to give."

Acting upon the suggestion of the governor, Assemblyman W. H. May introduced such a measure, which, after considerable debate and amendment, passed both houses and was signed by the governor on March 30, 1878. It was only because of the serious losses suffered by the depositors of the state that favorable action was secured upon this measure. The law became effective May 16, 1878. The first State bank commissioners to be appointed by the governor were E. J. Coleman, Robert Watt, and James T. Murphy. The law required that they devote all of their time to the work in hand. One was required to be an expert accountant; none could have any official connection with a bank or be a stockholder or an employe thereof; and no two commissioners could be appointed from the same county. The bank commissioners were to make semi-annual examinations of all banks operating in the state which came under the jurisdiction of the laws of California. In 1887, the law was amended requiring an annual examination.

Immediately after the passage of the law of 1878, there was some question raised as to the jurisdiction of the commissioners. The attorney-general advised them that they had no authority over national banks, private banks, or individuals engaged in the banking business, although they might request, if they so desired, that these excepted parties file voluntary reports. In July, 1878, the commissioners sent a letter to all of the private banks in the state, requesting information as to assets and liabilities, but no replies were received.

The commercial banks of San Francisco, with the exception of the Pacific Bank, protested against State examination. They appealed to the State Supreme Court, claiming that the law, in its use of the phrase "savings bank, bank and banking company," did not refer to commercial banking houses. The Supreme Court quickly and with an unanimous opinion held to the contrary, thus giving the commissioners supervision over the incorporated commercial banks, of which there were fifty-six in the state at that time, as well as over the twenty-eight incorporated savings banks. Some banks also acted in a trust company capacity, but it was not until April 6, 1891, that a law was passed by the Legislature specifically authorizing "certain corporations to act as executor and in other capacities and to provide for and regulate the administration of trusts by such corporations."

Banks possessing state charters, whether savings or commercial, were thus forced to submit to semi-annual examination and also to file with the bank commissioners a report of their financial condition as of January 1 and July 1 of each year. They were compelled to pay an annual license fee to the commissioners for the right to conduct a banking business for the succeeding twelve months. The rate of assessment during the first year of the law's operation was placed at 14½ cents on each thousand dollars of deposits. Out of the receipts thus obtained the expenses of the commissioners were to be paid.

The act also placed a few restrictions on the lending power of savings banks. They were not to be licensed annually unless at least 50 per cent of all their loans on real estate were secured by first mortgages or other prior liens upon real estate located in California, and such loans could not be for more than 60 per cent of the market value of such property except for the purpose of facilitating the sale of any property owned by the bank. Savings banks were not permitted to purchase or invest in mining stocks or to loan their funds to any person for that purpose. The act of 1878 remained in effect with but few amendments until 1903, when it was repealed and again reenacted with practically no changes in its provisions. The repeal and reenactment were due to certain political reasons, later to be discussed.

The bank commissioners took their task seriously and immediately entered upon their duties. Their first call for a semi-annual statement from the banks as of June 30, 1878, brought numerous incomplete and confusing replies. Many had to be returned for correction. The final results disclosed twenty-eight incorporated savings banks with assets of $80,248,687.72, fifty-two incorporated commercial banks with assets of $57,770,367.57, and four branches of foreign banks with assets of $13,913,374.86 —or a grand total of $151,932,430.15. These eighty-four banks held deposits aggregating $100,128,431.79. By December 31, 1878, the number of reporting banks had decreased to eighty-three, including fifty-six commercial banks, twenty-three savings banks and four branches of foreign banks. Total assets had fallen off to $133,333,261.94, and deposits had decreased to $82,937,984.80.

In August, 1878, the bank commissioners began their personal examination of the banks, starting with the Masonic Sav-

ings & Loan Bank of San Francisco. Within a few hours they concluded that the institution was insolvent and ordered it closed. About one-fifth of its assets were represented by a loan of $224,500, secured by the worthless "navy pay certificates" (generally known as the "Pinney certificates"). In the asset item "Interest Accrued," there was also included a large amount of unpaid interest on this valueless paper. A depreciation in the value of the real estate acquired by the bank through foreclosure had increased its losses. The commissioners criticised the officers and the directors of the bank for having paid a dividend to stockholders and for having published a sworn statement showing a large surplus only a month before suspension, when in reality the bank was insolvent.

It required about ten years to liquidate the Masonic Savings & Loan Bank, the depositors finally receiving about 95 cents on the dollar. The announcement that the Masonic Savings & Loan Bank had been closed created an intense feeling of uneasiness among the depositors of other savings institutions in San Francisco. It was commonly known that the Savings & Loan Society also held a large amount of the "Pinney certificates" (about $250,000) and during the morning of August 22, a run was made upon that bank, forcing it to fall back upon its requirement of a sixty-day notice before funds in excess of $200 could be withdrawn. This caused the run to subside. Although not made public, this bank had in fact written off the loss which it had incurred in connection with the Pinney certificates and had made up the deficit by profits derived from the judicious sale of Government bonds and real estate.

On August 29 and 30, the bank commissioners proceeded to examine the Farmers & Mechanics Bank of Savings of San Francisco, and found that after making deductions for doubtful debts, and after accounting for the shrinkage in the value of real estate, the capital and reserve of that institution were practically exhausted. The bank had also violated the State law which required that a savings bank had to have a paid-up capital of $300,000 before it could legally "loan any money without adequate security on real or personal property." The commissioners asked the directors to repair the capital of the bank, but they declined to do so, preferring to liquidate the bank's affairs, which was immediately undertaken. One of the principal causes for the failure

of the bank was the loans which it had made on unsuccessful enterprises in which some of the directors had been personally interested. The bank finally paid depositors 70 cents on the dollar, causing them to suffer a loss of $112,112.

On September 5, 1878, the bank commissioners began an investigation of the French Mutual Provident Savings & Loan Society. What they found caused them to declare that, "The record of this bank forms one of the darkest pages in the banking history of the State, and exemplifies, most forcibly, the evils of a 'one man power' in financial institutions." The bank was a mutual association, its board of directors being elected annually by the depositors. The manager, G. Mahé, had full control of the bank's affairs, the various committees and officers of the institution appearing to have signed, willingly and without examination, any statements or documents which he had placed before them. In this way the most serious abuses had been permitted to exist.

Mahé had "used his power in the most arbitrary manner, his bookkeepers being mere puppets in his hands, making or suppressing entries at his dictation, thus enabling him to practice a systematic course of robbery for years without detection." Loans had been made to directors in violation of by-laws, sometimes on second mortgages. The books of the bank did not always show who was the real debtor. Investigation disclosed that Mahé had started his peculations in 1872 and had been able to default with $316,285.75. He had consistently withdrawn sums from the accounts of depositors residing in France and had used the money for his own needs. The commissioners demanded that he take steps to protect the bank against loss, whereupon he deeded all of his property to the organization. On September 17, he committed suicide. The commissioners severely criticised the committees and the board of directors for their lack of diligence. They also condemned the criminal subserviency or complicity of the bank's employes, and recommended that if it remained in operation a complete house cleaning of directors and employes should take place.

After considerable difficulty the bank was reorganized and reincorporated on March 11, 1879, as the French Savings & Loan Society, with a guaranteed capital of $300,000. The new company gradually wound up the affairs of the old bank in such a

satisfactory manner that by the time the last dividend was paid, May 7, 1888, the depositors had received slightly over 72 cents on the dollar. The new bank later changed its title to the French Savings Bank. In 1903, its control was purchased by the French-American Bank, which continued to operate it as a separate institution until in 1910, when both were merged as the French-American Bank of Savings. The title of the latter was subsequently changed to the French-American Bank.

The next bank to close as a result of examination by the bank commissioners was the Odd Fellows Savings Bank of San Francisco. It will be remembered that this institution had had some difficulties in 1876, when publicity was given to the unsatisfactory method of conducting the bank's affairs. It had lost heavily in 1875 as a result of having made extensive loans secured by the stock of the Bank of California. It had been organized originally as a mutual association, but on August 7, 1878, had reorganized with a capital stock of $250,000. The commissioners found that the earnings of the bank, which should have been paid to the depositors as interest for the preceding six months, had been applied to meet certain losses. Such losses should have been charged against the reserve fund and capital stock. The passing of interest payments to its depositors was deemed by the commissioners and by the State Attorney-General to have been in violation of the law. After considerable delay, the stockholders on February 5, 1879, voted to liquidate the bank. Liquidation was seriously interfered with by litigation initiated by stockholders and depositors. Its creditors were finally paid 89⅞ cents on the dollar.

Before the bank commissioners could examine the condition of the banks located in the interior of the state, the Odd Fellows Savings & Commercial Bank of Sacramento closed its doors on September 21, 1878. Its business, however, was subsequently taken over by the Peoples Savings Bank of Sacramento, incorporated May 23, 1879. The Dime Savings Bank of Sacramento had closed some months earlier. After examining the Bank of Stockton, the bank commissioners reported that so far as they were able to ascertain from the unbusinesslike manner in which its books had been kept and its affairs conducted generally, there was likely to be a heavy loss to the stockholders. The commissioners claimed that George W. Kidd, the president of the bank,

owned nearly two-thirds of its stock and that he had conducted the affairs of the institution without any regard to the rights of the remaining stockholders. He had borrowed heavily from the bank and had overdrafts totalling $38,751.06, upon which he had not permitted interest to be charged. The Bank of Stockton subsequently liquidated voluntarily and paid its depositors in full.

On November 28, 1878, L. Snodgrass, president, and J. M. Brooks, vice president, of the Bank of Ventura, resigned their positions and withdrew from the board of directors of that institution. The former was also the county treasurer, and the grand jury of Ventura County had upon investigation discovered that he had deposited $24,000 of the county's money to his personal account in his own bank. The bank commissioners, however, reported that the bank was in a thoroughly sound condition and had been operated under prudent management.

The commissioners also found that the following interior banks had impaired their capital stock to a greater or less degree: Vallejo Savings & Commercial Bank, Santa Cruz Bank of Savings & Loan, Farmers Bank of Wheatland, Bank of Dixon, Modesto Bank, and Bank of Watsonville. Otherwise the banking houses of the state were in a satisfactory condition.

When one considers the conditions existing in the business world at that time, it is truly surprising that the closing of five banks by the bank commissioners did not bring in its wake a widespread run upon all of the banking institutions of the state, many of which, it is feared, would have been unable to have withstood any unusual demand for funds. It is true that by the time the commissioners made their second full report, on July 1, 1881, eleven banks had closed their doors, but six had done so voluntarily. The effect of the excellent work done by this first group of supervisory officials was most beneficial. So far as I have been able to learn, no protest of any sort came from the bankers themselves. Governor Irwin, in his message to the Legislature in 1880, put the situation nicely in the following words:

"And I have not the slightest doubt that the Bank Commissioners, through the exercise of the powers conferred on them, and through the moral power which their right to examine and expose all irregular or doubtful transactions of the banks, if there should be such, exerts, have made all banks, both savings and commercial, more conservative in character, and safe depositaries for the funds of their customers. I believe it to be the gen-

eral verdict of all classes, the bankers included, that the operation and effects of the Bank Commission have been, so far at least, in a high degree salutary and beneficial."

The bank commissioners themselves, in their first report to the governor, modestly acknowledged the value of their work by stating that, "We do not, of course, claim that we have detected every weak spot in their financial condition, but we do think that great service has been done to the banking institutions of this state, as well as to the public, by the actual and moral effects of supervision. It must not be expected, however, that no banks will fail hereafter on this account, but it may reasonably be anticipated that the number of failures will be smaller and the effects less disastrous than heretofore."

In this place, it should be noted that when the Bank Act of 1909 was passed and put into effect, the visits of the bank examiners and the enforcement of the provisions of the law resulted, as was the case in 1878-79, in the closing of a number of weak banking firms that were at that time a danger to the financial structure of the state.

Seldom has any community passed through such a discouraging period as did San Francisco during 1877-79. Business firms, that had stood unassailed for years, were one after another forced into bankruptcy. During the three years in question, the following banks of San Francisco either voluntarily suspended or were closed by the bank commissioners: B. Davidson & Company, Bank of San Francisco, Merchants Exchange Bank, Swiss-American Bank, Collateral Loan & Savings Bank, Pioneer Bank of Savings & Deposit, Union Bank, Fidelity Savings Bank, Dime Savings Bank, Market Street Bank of Savings, Bank of Commerce, Hickox & Spear, Masonic Savings & Loan Bank, Farmers & Mechanics Bank, French Mutual Provident Savings & Loan Society, Odd Fellows Savings Bank, Mutual Cosmopolitan Savings Bank, and the National Gold Bank & Trust Company. One must also add to the above list, the Bank of Fresno, the Bank of Stockton, the Odd Fellows Savings & Commercial Bank of Sacramento, and the Dime Savings Bank of Sacramento.

A most amazing compilation of defunct institutions for a young community like California! The loss to depositors in the five banks closed by the bank commissioners was variously estimated as ranging from $2,500,000 to $3,000,000. The shock to

the community which ensued is shown by the fact that the deposits in the state savings banks decreased from $75,341,700 on January 1, 1878, to $47,719,829 on July 1, 1880. Assisting in bringing about this decrease were also (1) the very lengthy session of the State Constitutional Convention of 1878-79, lasting for 156 days, and the accompanying fear that the new Constitution would seriously interfere with the interests of capital and thus prolong and even make more serious the results of the business depression; (2) the very bitter state-wide campaign which preceded the adoption of the new State Constitution; and (3) the great uncertainty as to the outcome of the first elections to be held under the new Constitution in the fall of 1879, and also as to the character of the first Legislature that would sit and pass laws to carry out its provisions.

During the campaign that was waged over the adoption of the new Constitution, considerable prominence was given by the opponents of the measure to the arguments that it would disastrously affect the savings banks. The latter themselves actively took part in the attacks waged upon the document and "supplied weapons to its enemies," little thinking that they themselves might be injured by the recoil of public opinion. The savings banks especially maintained that dividends would have to be reduced if the new Constitution were adopted. Many of the depositors became fearful of the results and withdrew their funds, the deposits of the savings banks decreasing $4,619,407 during the six months, January-June, 1879.

The total decrease in deposits of both savings and commercial banks, including those of the closed institutions, for the fiscal year ending June 30, 1879, aggregated $14,935,472. Part of the funds withdrawn later found their way into the commercial banks. From seven to eight million dollars were invested in United States bonds. Quite a large sum was undoubtedly withdrawn by foreigners and sent to Europe for safe keeping. Some also was sunk in real estate and in mining stocks, and other amounts were buried in the ground or hidden elsewhere.

Several of the larger banks reduced their capital stock, the Nevada Bank making a reduction of $7,000,000, the Bank of California of $2,000,000, the Grangers' Bank of $1,500,000, the London & San Francisco Bank, Ltd., of $900,000, and the Farmers & Merchants Bank of Los Angeles of $275,000. Real

estate values fell at least 20 per cent, while sales of property decreased at least 50 per cent. One of the first-class hotels in the city closed, and all of the others suffered greatly from lack of patronage. Unemployment, destitution and discontent prevailed on all sides. Suicide became almost an epidemic, there being more than 200 suicides in San Francisco during the three years 1877, 1878 and 1879.

It is under such conditions that radical movements are born, and the leader proved to be ready when the occasion demanded him. In this instance, it was Dennis Kearney, an Irish drayman, who came to the front, championed the cause of the discontented, and organized the Sand-lot Movement, out of which later grew the Workingmen's Party of California and a new State Constitution. Kearney's attacks and those of his followers were directed primarily against the Chinese and against the railroad and land monopolies, which at that time were serious abuses, and from which the state had greatly suffered.

Those of us who know only the California of today cannot appreciate fully the conditions which faced the people during those tempestuous years. While one cannot condone the methods used or the policies adopted by the Sandlotters, yet one has to acknowledge that abuse by any class while in power always leads to abuse and the employment of extreme measures by the oppressed class when once it attains supremacy. So it was during the later '70s. In this history of banking in California there is no need of retelling the story of the Workingmen's Party movement. That has already been satisfactorily done by many authors. We are interested only in its effects upon the banking institutions of those days.

After the failure of the Pioneer Bank, Kearney and his colleagues immediately became the self-appointed advisers and leaders of the depositors. They held meetings on the Sand-lot and elsewhere, denouncing Duncan and the assignees who were closing up the affairs of that defunct institution, and urging that strenuous means be taken to protect those who had left their funds with Duncan's bank. At one of the gatherings he advised that, "The only thing to do is to organize a vigilance committee and go to the assignees and tell them that you want either their money or their heads." He urged "every man to bring a rifle and demand his money. That is the only way that you will ever get

a cent." He even had the effrontery to ask the depositors to sign a petition requesting the court to place the bank's affairs in his hands, and strangely enough the petition was signed by large numbers, but nothing ever came of it.

Kearney unsuccessfully attempted to obtain control of the meeting of the depositors of the French Mutual Provident Savings & Loan Society, at which steps were being taken to save what could be salvaged from the wreck of that institution. Undaunted at his failure in these two ventures, he then attempted to start a run upon the Hibernia Savings & Loan Society, for what reason no one has ever been able to discover. Week after week in his Sand-lot speeches, he demanded that the people of San Francisco remove their deposits from the latter bank. But that institution was one of the strongest banks in San Francisco, and was not affected by his attacks.

The people had continued to demand a new State Constitution, which it was felt could be framed in such a manner as to provide a panacea for all the ills from which California was suffering at that time. Finally the Sand-lot and the Granger movements became so strong that they could no longer be ignored, as a consequence of which an election of delegates to a Constitutional Convention was held on June 19, 1878. The election resulted in the choice of 78 Non-Partisans, 51 Workingmen, 11 Republicans, 10 Democrats, and 2 Independents. The work of this convention, as it affected the banking interests of the state, will be discussed in the next chapter.

Under the conditions that have been noted, it is surprising that a few persons were courageous enough to venture into the stormy field of banking during the closing years of this period. The Bank of Bodie was organized on August 15, 1878, with William Irwin president, and W. H. Pope, cashier. It had a capital stock of $50,000, of which only $30,000 was paid in. It suspended in 1882. It was during 1878, that James H. Burnham purchased the banking interests of C. T. H. Parmer of Folsom. This private banking house voluntarily suspended March 14, 1911, after having been, until 1910, the only bank in that city. The Modesto Bank was incorporated on October 28, 1878, with A. L. Cressey, president, and L. B. Walthall, cashier. The bank had been organized to take over the business of the Farmers Savings Bank of Stanislaus County. It had an authorized capitalization of $250,-

000, but by 1880 only a little more than one-half of that amount had been paid in.

On April 1, 1879, C. B. Seeley and L. A. Bickford organized a private bank at Napa under the title of Seeley & Bickford. In 1898, Seeley retired and L. A. Bickford then formed a private banking company, in partnership with E. L. Bickford, under the title of the Napa Commercial & Savings Bank. L. A. Bickford died and his interests were taken over by his widow, Addie I. Bickford. On March 6, 1903, the bank was incorporated, with a capital of $25,000, and with Addie I. Bickford president, and E. L. Bickford, cashier. On February 11, 1904, its stockholders and others organized the First National Bank of Napa, with H. P. Goodman president, and E. L. Bickford, cashier, and transferred to it the commercial business of the Napa Commercial & Savings Bank. The latter was continued as a savings institution, and in 1906 its title was changed to the Napa Savings Bank. In July, 1917, the latter was voluntarily dissolved, the greater portion of its business being transferred to the First National Bank. It is said that A. J. Hull, who for many years acted as counsel for the bank, was the first attorney to apply the theory of "joint tenancy" to joint accounts, and to draw a form of agreement between depositors to that end, which agreement was generally adopted by banks throughout the United States.

On May 23, 1879, the Peoples Savings Bank of Sacramento was incorporated, with a capital stock of $500,000, less than one-half of which was paid in. William Beckman was the first president, and W. F. Huntoon its first cashier. This bank grew out of the failure of the Odd Fellows Savings & Commercial Bank. Beckman hoped to salvage something from the assets of that bankrupt institution, and with horse and buggy drove throughout the country, interviewing its depositors and submitting to them his proposal that they take stock in a new bank, which he proposed to organize, in lieu of their deposit claims on the Odd Fellows Bank. He was successful in securing the required support, and the Peoples Savings Bank was accordingly incorporated. It proved to be one of Sacramento's most successful banks. On February 8, 1915, it established a commercial department, and on April 13, 1920, changed its title to the Peoples Bank. Beckman established a record by serving forty-one years as the president of that institution. He had arrived in Sacramento from Illinois in

1852, and was one of the last of the early pioneers to give up active participation in the financial affairs of the state. Down into his eighty-eighth year he was the first to reach the office in the morning, and it was never too wet or cold for him to be at his desk. He remained president of the bank until his death in November, 1920, being succeeded by J. E. Huntoon.

On October 6, 1879, the Consolidated Bank of San Diego was incorporated to take over the affairs of the Commercial Bank of San Diego and the Bank of San Diego, both of which deemed it wise to consolidate because of lack of patronage in that small community. The Consolidated Bank became the Consolidated National Bank in October, 1883, but suspended July 24, 1893. It paid seventy-nine and one-half cents on the dollar.

The First National Bank of Alameda was organized on October 11, 1879, with a capital stock of $100,000. Its officers were H. Sevening, president, and J. E. Baker, cashier. On October 31, 1888, it took out a state charter and became the Bank of Alameda, with a fully paid-up capital of $100,000. Its stockholders organized an affiliated savings institution, the Alameda Savings Bank, on January 17, 1890. On August 17, the Bank of Alameda returned to the national banking system as the Alameda National Bank, and so remained until it was sold to the Alameda Savings Bank on June 30, 1921. The latter on July 6, 1921, changed its title to the Bank of Alameda, established a trust department on July 25, 1921, and was finally sold, with its branch, to the American Bank of San Francisco on January 30, 1926.

CHAPTER X

THE SECOND CONSTITUTIONAL CONVENTION

In 1857, 1859, 1860, and 1873, the State Legislature had suggested to the people that they vote upon the proposal to call a constitutional convention to revise the organic law of the State, but each time the suggestion failed to receive the necessary support. Any of the years mentioned would have been more propitious from every point of view than 1878. With bank and business failures occurring in great numbers, with the people of the state wrought into a frenzy over the Chinese question and the Kearney agitation, with unemployment and destitution on every hand, economic, social and political conditions were far from providing a proper setting for the calm, judicious deliberations so necessary to the framing of the State's most important legal document.

The delegates who had been elected to draft the new Constitution met at Sacramento, Saturday, September 28, 1878. Some time was spent in getting under way, and it was not until October 10, that the first suggestion was made that a clause relating to banks be included in the document. W. W. Moreland, of Sonoma County, introduced the following:

"It shall be a crime, the nature and punishment of which shall be prescribed by law, for any President, Director, Manager, Cashier, or other officer of any banking institution, to receive or assent to the reception of deposits or create or assent to the creation of debts by such banking institution, after he shall have had knowledge of the fact that it is insolvent or in failing circumstances; and any officer, agent, or manager shall be individually responsible for such deposits so received, and all such debts so created with his assent."

On October 15, C. C. O'Donnell, of San Francisco, offered the following proposal:

"Every association organized for banking purposes shall keep on deposit with the State Treasurer, as security to actual depositors, bonds of the United States equal in amount to the total amount of deposits in said banking association."

J. West Martin, of Alameda County, introduced the following relative to the exemption of the capital stock of savings banks from taxation:

"That the capital stock of savings bank corporations, where the same constitutes a guaranteed capital that cannot be withdrawn or diminished until all trust and deposits are fully paid and discharged, shall not be taxed."

The first two proposals were referred to the Committee on Corporations other than Municipal; the last to the Committee on Corporations.

The Committee on Corporations other than Municipal, under the chairmanship of M. M. Estee of San Francisco, handed in its report to the convention on October 30. Those clauses that referred particularly to banking were as follows:

"Section 1. Corporations may be formed under general laws, but shall not be created by special Act. All laws passed pursuant to this section may be altered from time to time or repealed.

* * * *

"Section 3. Each stockholder of a corporation, or joint stock association, shall be individually and personally liable for his proportion of all its debts and liabilities.

* * * *

"Section 5. The Legislature shall have no power to pass any Act granting any special charter for banking purposes; but corporations or associations may be formed for such purposes under general laws; but no corporation or association shall make, issue, or put into circulation, any bill, check, ticket, certificate, promissory note, or other paper, to circulate as money in this State, except the lawful money of the United States."

It was not until November 12, that the Convention resolved itself into a Committee of the Whole for the purpose of discussing the above and other sections of the committee's report. The debate was long and bitter, and as was to be expected, was marked to a great extent by the constant repetition of the same type of arguments.

Section 1 was allowed to stand practically as it had been introduced by the committee, the second sentence being modified to read as follows:

"All laws now in force in this State concerning corporations, and all that may hereafter be passed pursuant to this section, may be altered from time to time or repealed."

It was Section 3 that first loosed the flood gates of oratory and debate. J. V. Webster, of Alameda County, offered the following as a substitute for the section as reported out by the committee:

"Every stockholder of the corporation or joint stock association shall be individually personally liable for his proportion of all its debts and liabilities contracted or incurred during the time he was a stockholder, as the amount of stock or shares owned by him bears to the subscribed capital stock, or shares of the corporation or association, and also for a further sum at least equal in amount to the par value of his stock, any contract or agreement to the contrary notwithstanding."

The first clause of the amendment was adopted by a vote of 81 to 40, but the second clause was rejected by a vote of 77 to 44. Toward the end of an afternoon of debate, C. Barbour of San Francisco arose and asked to be granted permission to offer an amendment making bank directors responsible, but was ruled out of order.

When the Convention assembled the next morning (November 13), Judge David S. Terry, of San Joaquin County, proposed the following amendment to Section 3:

"The directors or trustees of corporations or joint stock associations shall be jointly and severally liable to the creditors and stockholders for all moneys embezzled and misappropriated by officers of such corporation or joint stock association during the term of office of such director or trustee."

W. F. White, of Santa Cruz County, in expressing his approval of the proposed amendment, stated that its object was to protect the depositors of savings banks from misappropriation of funds by directors who as a rule held no stock in such institutions. He felt that if something were not done to protect the depositors, they would remain at the mercy of the directors. The latter might not be criminals and sometimes they might even be honest men, yet they might loan money to their friends and otherwise misappropriate it. M. M. Estee moved to strike out the word "misappropriate", because misappropriation might result merely from an error in judgment while embezzlement always carried with it a connotation of moral delinquency. T. B. McFarland, of Sacramento County, did not take kindly to the proposed amendment offered by Judge Terry. He claimed that if it were adopted business men would refuse to serve as bank directors. He pre-

sumed that the real object behind the proposal was to drive all corporations out of the state and that if that were the case, it should be placed directly before the Convention so that it might be voted on with understanding.

Henry Larkin, of Eldorado County, hastened to voice his support of the Terry amendment because he felt that it would meet a situation that had existed for years. He declared that,

"The Dime Savings Bank robbed the orphans, children, and women of this State of thousands of dollars because the directors published in connection with that bank were not the real directors. That money was deposited on account of some gentlemen (supposed to be) connected with the bank. They were not connected with it. The money deposits of these savings banks rest upon the honor of the directors. Because there are directors named who have high standing in the community, people put their money in the bank and deemed it safe. Every person who deposits money, every child, woman, and laborer of the country has a right to expect that these men will examine into the affairs of the bank. The directors are the men who should be responsible for every dollar that is put there if they do not see that it is properly taken care of by the officers of the bank."

A. C. Freeman, of Sacramento County, declared that whoever undertakes a trust of a public nature should be held responsible to the people who trust him. He said that those who plan to start a savings bank usually go out and obtain promises from men of excellent financial standing in the community that they will permit their names to be used as directors. Depositors naturally feel that these men will take a vital interest in the affairs of the bank. What really happens is that about three-quarters of the time, at the end of a few years, a large proportion of the deposits are stolen and then the directors say, "I know nothing about it; I had nothing to do with it." He declared that in the case of a certain Sacramento bank, which had failed a short time previously, it was found that the president had illegally withdrawn $124,000 for his own account, and yet every director denied knowing anything at all about it, and consequently was not held responsible for the loss.

N. G. Wyatt, of Monterey County, was in favor of making the clause a little broader if possible. He wanted the Constitution to strike at "these rich gentlemen who act as decoy ducks in order to rob the widows and orphan children of this State—and that

now seems to be one of the favorite styles of raising money." He declared that it had become a very common practice to incorporate institutions for the purpose of robbing widows, orphan children, and the unsuspecting community of their hard earned dollars. He declared that, "We could live without corporations in the State of California, and, with nine-tenths of them wiped from existence we would be much better off than we are now."

W. H. L. Barnes, of the First Congressional District, called the attention of the delegates to the fact that the Civil and Penal Codes, as they stood, provided a means of "reaching the directors and officers of savings banks and banking institutions," and that the difficulty in handling offenders in the realm of banking was not with the law but with the administration of it. He urged the delegates present not to incorporate in the new Constitution provisions which really should be placed in the Codes. John F. Lindow, of San Francisco, dramatically announced that he had been robbed of his money because the director of the French Mutual Provident & Loan Society had "cut his throat; nothing else. The Constitution don't give me my money back." Whereupon Barnes retorted, "Well, then, we ought to have a provision in the Constitution that directors shall not cut their throats. I suppose that would be desirable, too."

Samuel M. Wilson, of the First Congressional District, argued at some length against the amendment proposed by Judge Terry. He urged that if a bank had received all the care and attention that the directors might bestow upon it, and that if the cashier, through collusion with the porter, should rob the safe at night and abscond with the money, the directors should not be held personally responsible for an act of that character. Judge Terry responded with the statement that if a man deposited money with a private merchant, and if it were stolen, the merchant would be held responsible under the law. Why should not the same principle be applied to a corporation? Wilson replied that there were numerous institutions in California, which had agencies established all over the state, maintained by and with the consent of the stockholders, and that it would be physically impossible for the directors of the corporation, personally and individually, to supervise all of its officers.

P. T. Dowling, of San Francisco, announced that he was strongly in favor of the proposed amendment because it would

preclude any possibility of irresponsible corporations or companies robbing the people of their money. It would put a halter on many corporations and give to the laborer that which he had earned. He likened the corporations of California to an immense boa constrictor which was gripping the whole nation in its coils, "squeezing faster and faster all the time until the whole state trembles with agitation and bleeds from every pore." Dramatically, he requested the opponents of the amendment to state how they were planning to make the directors accountable. He asked,

"Are you going to make them accountable in the same way, in the same amount that Duncan was made accountable? Are you going to leave the depositors at the mercy of the wolves? * * * Look what these thieving corporations have done in San Francisco. Look at the misery and death and suicides that they were responsible for. If we had had such a clause as this in the old Constitution, I am of the opinion that today there would not be many thieving stock sharks, bank sharks, and malefactors generally. * * * I want to have my name put on record in favor of this amendment, which, I believe, will in a great measure help to rid this State of these monopolies that are like barnacles clinging to the bones of the people. These men never work for a living, and never will work. They are as big a nuisance as Chinatown and render the poor man a slave."

Eugene Fawcett, of Santa Barbara County, and James M. Shafter, of the Third Congressional District, both vigorously opposed the amendment, claiming that the proposal was all right when it was applied to those who were guilty of neglect or wrong doing, but that it was eminently unfair to hold directors liable if they were innocent of such acts. Judge Terry, in replying to the arguments advanced by Shafter and Fawcett, declared that he could see no wrong in holding men responsible for the conduct of officers whose duty it was to transact the actual business of the corporation, and to compel them to see that no money was embezzled or misappropriated. If such a provision were passed, respectable men would not allow themselves to be used as decoy ducks. There would be no more figurehead directors who never go near the institution from one end of the year to the other. If responsibility were placed upon them, they would be forced to do their duty. He refused to accept any amendments or substitutes, and declared that he urged his proposal to stand for all time as a protection to the people of the state against the robberies which were being committed by officers of corporations.

William P. Grace, of San Francisco, spoke in favor of the amendment because he was certain that if something of its nature were not adopted, "these robberies will continue." He asked whether it were better that innocent directors should suffer, or that innocent men and women, who had worked hard for their money, should suffer. The former were in a position to help themselves, while the people were powerless. As things stood, the man who put his money in a bank in the morning, did not know whether or not he was going to get it out at night.

G. A. Johnson, of Sonoma County, said that he felt that the amendment would act as a sword of Damocles hanging over the directors and compelling them to select proper employees. They would select those men who were above reproach with a view to their own liabilities. The proposed section would not only throw additional safeguards around the banks, but would also inspire confidence in those institutions and their officers.

A. P. Overton, of the Third Congressional District, opposed the amendment most vigorously. He was fearful that the effect would be to cause many banks to disincorporate. It would also make it difficult for the banks that remained in existence to secure capable men to serve as directors. Just because one or two banks in the state had acted "a little scaly," causing serious losses, should be no reason for the proponents of the amendment thinking that every bank in the state was of the same character. He attempted to bring the delegates back to their senses by calling their attention to the fact that banks were useful, and that the people of the state could not get along without them. He was sure that the proposed section would seriously cripple the banks.

On November 14, when the debate was continued, Henry Edgerton, of Sacramento County, declared that one might as well attempt to put upon the President of the United States the responsibility for any defalcations by the Secretary of the Treasury, or upon the Governor of California the responsibility for any defalcations by the State Treasurer, as to hold the directors liable for the acts of corporation officers. He knew of only one precedent for such a proposition, and that was the practice in China where the family of an embezzler was held responsible for the acts of the culprit. Eugene Casserley, of San Francisco, declared that one of the greatest difficulties in connection with the enforcement of laws dealing with the liability of directors and officers of bank-

ing institutions was that such men usually disappeared and were thus able to avoid being sent to prison. W. W. Moreland, of Sonoma County, delivered himself of the following emphatic statement:

"It seems to me that the proposition * * * meets an absolute, positive requirement in the history of bank management in this State. It is unnecessary for me to recapitulate that history before this Committee; it has already been ably and fully done. But it is a matter of fact, sir, well known to all, that the bank management in this State during the past three or four years has been simply an outrage upon honesty, upon commercial honor and upon civilization itself. Instead of the best, and safest, and most reliable men of the State, and of the community, having been entrusted with the care of these institutions, they seem to have passed into the hands and under the control of the most vicious men of the country. Instead of being as they ought to be, corporate institutions where the funds and savings of the poor are deposited and saved, and allowed to accumulate, they have become in many instances, instruments of robbery and plunder. The people have lost confidence in them. They have come to look upon them pretty much in the same light as they look upon the gambling hells, and the very air is rife with suspicion and distrust toward these institutions, and the good banks are becoming tabooed because of the evils and abuses practiced by the bad. It seems to me that we owe it to the people of this State; it seems to me that we owe it to these banks which run on a safe and sound foundation; and more than all we owe it to that class who my friends on the right would denominate 'thieving banksmashers,' to incorporate in the organic law some such provision as that proposed by the gentleman from San Joaquin."

Jacob R. Freud, of San Francisco, followed in the same strain and declared that,

"Any man, I hold, who lends his name to another man, or to an irresponsible corporation, commits a crime in the face of the law. Any man, I hold, who by lending his name, decoys the people, commits a crime in the face of justice. Any man, I hold, who by reason of his widespread fame, and for a paltry gain, drives honest men to suicide, weak women to despair, and poor orphans into misery, is guilty of the blackest murder. Let this amendment pass as a protecting shield to the weak, and honest, and industrious. Let this amendment pass as a standing menace to the strong, and corrupt, and treacherous."

Isaac Belcher, of the Third Congressional District, in opposing the amendment said that,

"* * * some of these banks * * * have done wrong, have swindled the people and the stockholders out of their money. True, and banks and all other institutions are liable to come short, and it will always happen so long as the world lasts. But I undertake to say there has been as little bad management here as in any other part. I happen to know that there are savings banks in this State that have managed their business well. * * * Suppose now a mutual concern, where the depositors elect all the directors. There is no capital stock. They meet and select the directors. One of the directors has been for years President of the Board and President of the bank, and has been chosen every year for that position for the very purpose of making him President of the bank. He is voted for to be President, expected to be President, and nobody could run against him, because the depositors and stockholders have wanted him to be President and manager. Suppose now that he should embezzle the money, should the other directors, who have no control over him, should they be held responsible for his embezzlement? Would it be just or right, or reasonable? I say not. * * * You will cripple all the honest institutions and prevent them from doing what they have been doing, but you will not stop the thieves. They will ply their trade still. These honest institutions, the ones that the people need, the ones that should be encouraged, are the ones you will strike with this provision. * * * I protest against it in the interest of business, in the interest of common humanity, and in the interest of the State. It is wrong in principle and wrong in practice."

James S. Reynolds, of San Francisco, was especially bitter in his denunciation of banks and bank directors. He declared that,

"The arguments all center upon that wonderful individual, that imaginary personage, the innocent director. Why, one would imagine from hearing the arguments of these gentlemen that Mark Twain's Innocents from the Holy Land were all turned loose here and made trustees and directors of banks. Mr. Chairman, there is no such thing in fact as an innocent director. He is an impossibility and a myth. He cannot exist. * * * And suppose there were: admit that there could be. We have adopted * * * a provision that the innocent stockholder shall be held liable for the trust which he assumes, and he has but one chance to exercise any control whatever, and that is when he drops his vote in the ballot box for trustee once a year, and yet he is liable to the entire extent of his interest in the corporation. And if that stockholder shall be held liable, not knowing anything about what the trustees are doing, nor having any control of their actions, how much more should the trustees be held liable? * * * It is time, sir, to fix on these trustees some responsibility and to require of them sureties for the due execution of their trust. They

have sold the people and robbed them of their substance, and when called to account pleaded innocent already too long. * * * And I say, Mr. Chairman, that there is no agent of the people, or any official of this State, or any division thereof, great or small, high or low, from the uppermost boundary on the north to the south, from the Sierras to the sea, with whom they have come in contact, whom they have not bought and sold. There is not a single promise they have made, or trust they have undertaken, but they have broken or betrayed. There is not a single depositor or stockholder whom they have not either swindled or utterly ruined.

"Ralston and his Board of Trustees sold his stockholders and depositors for a gamble in Spring Valley. Duncan and his Board of Trustees sold the depositors of the Pioneer Bank to the Shylocks and mortgage wreckers of Montgomery and California streets—and I have in mind some very *respectable* gentlemen of business who helped him to make the delivery. Burr and his trustees sold his very respectable bank, as well as himself, to Pinney and his pals. So with the Odd Fellows' Bank. Gustave Mahé and his 'innocent' directors sold their confiding depositors to squander the proceeds in gambling and riotous living. Time is too short for me to recount these unblushing swindles, too limited even to name a list of the wrecks of savings banks that strew the past; aye, that fill the present moment with disaster, starvation, and despair."

He sarcastically declared that,

"* * * bank presidents and corporation trustees, being 'respectable gentlemen,' must not be held responsible for stealing the orphan's patrimony and the widow's mite. They must be permitted by indiscretion to rob the vulgar herd, the common people who earn money and are not 'respectable,' without let or hindrance, or they will not condescend to become bank trustees."

John A. Eagan, of Amador County, followed Reynolds and attempted to bring the house back to its senses by declaring that arguments based on an appeal to passion should not be listened to in a convention of intelligent delegates. He called attention to the fact that the arguments advanced did not reach the roots of the question. The amendment was wrongly conceived because it would drive many corporations out of the state, quite a number of which were beneficial to the people. Too much had been made of the fact that two or three savings banks had failed, and that some people had lost their money. He declared that there were many banks outside of San Francisco which were sound and solv-

ent, from which farmers and others had derived great and lasting benefit. John F. Lindow, of San Francisco, created an uproar of laughter when he said,

"When I go into a savings bank, I tell the directors I want to deposit this money, and you have to take charge of it, save it and keep it. I never give him the money to keep it; I put it there to save it, so I can have it whenever I call for it. But the banks at this present day do not do that way at all. You can't trust a man with nothing; he won't save nothing. You better not trust him. That's the greatest difficulty, you can't do it. You can't trust nobody with nothing at all. For that reason I want to leave my record, that I am going to vote for this proposition, because I know that three-quarters are in sympathy with this amendment. I don't want to say nothing against the one-quarter, but if this amendment is not put in the Constitution there will be a good deal of widows and orphans robbed. If the bank is well managed there can be no trouble, and we will never want a lawyer or a policeman."

J. C. Brown, of Tulare County, closed the debate of the morning session by declaring for the amendment because it would protect the public and would not be detrimental to those corporations which conducted their business honestly.

O. A. Gregg, of Kern County, opened the discussion of the afternoon session of the Convention. He attempted to bring the delegates back to a reasonable point of view by arguing that the amendment would place a serious liability upon a minority of the directors of a bank or corporation, who would be unable, because of their lack of numbers, to control the acts of the majority. So far as he could see there was nothing in history to match the proposal, nothing since the action of Herod in destroying all the male children in order to reach the infant Savior, or the action of Pharoah in destroying the Hebrew children in order to destroy Moses. Patrick M. Wellin, of San Francisco, the next speaker, attacked banks and bank directors in a vigorous manner. He said:

"We have seen banks rise in the City of San Francisco from almost nothing. We have seen men rise from a whisky counter to the position of trustees and directors of banks—and by what claim? Sir, it has been through the loose system of incorporation in this State. It is time that something be done to change the system at once, and give some protection to the honest people. * * * We have seen banks rise and fall, and we have seen

the people robbed of their earnings; and when they searched to find who were the responsible parties, they were pointed to this, that, and the other one, and when the people wanted their money back there was no one responsible for it. It is time there was somebody hedged about and made responsible."

Charles G. Finney, of Ventura County, supported the amendment because he felt that it would eliminate every one of the terrible dangers and evils that follow in the wake of corporations. He said that as long as two men as partners went into the banking business no one would deny the full responsibility of the partners for each and every employee or for anyone doing business with them, but he said such responsibility would soon become heavy and irksome. He declared that,

"It is so much nicer to do the same business and make the same money and not have the same anxiety and chances of loss. They incorporate, and the firm of A & B, bankers, in the scratch of a pen becomes the People's Savings Bank of Blankville. With what a sigh of relief do their heads sink into their downy pillows that night. The weight is removed. They are no longer individuals engaged in business. They are only stockholders and directors in the bank. They are really doing the same business, precisely and exactly in the same way, in the same place, and with the same persons, but they have shuffled off the major part of the responsibility attaching to it—and that all through the action of the law, which ought not to render easy the evasion of liability on the part of those who assume to act in a trust capacity. If, then, the fairest case that can be supposed thus teems with danger or injustice patent to every eye, what must be the case when cunning, extortion, fraud, robbery, and all the legion of devils that the command of the law ought to cast out of the land, stream in at the door of corporations, thrown wide open by the law."

C. Barbour, of San Francisco, was also bitter in his opposition to banks and bankers, and called the attention of the convention to the case of the Savings & Loan Society of San Francisco. He said:

"There, a quarter of a million of the funds of the depositors were drawn out on worthless security. Known to be such! Known to every director in the institution to be such! Mere certificates signed by a Navy Pay Inspector and his clerk, unaccompanied by a single voucher of any officer of the navy of the United States. Now, a school boy ought to have known that that was worthless security; but a quarter of a million of dollars was drawn from

the bank by means of that good-for-nothing security. Now, upon investigation, it was shown that a five per cent commission was received by the president of the institution for allowing the funds to go upon that trifling security. That would be nearly twenty-five thousand dollars. Now, I maintain this proposition. In the first place, that security was no security at all. There was nothing back of it. The money was gone from the assets of the bank —eternally gone. I challenge the gentlemen to find a syllable in the Code by which these bank directors can be made responsible for that plain and bold misappropriation of the funds of that bank. Not one syllable. And thus they crawled out in their innocence, on their ignorance of the transaction."

P. B. Tully, of the Fourth Congressional District, declared that he could not be frightened by the claim of the opponents of the amendment that corporations would be driven out of the country if the provision in question were added to the Constitution. He thought that there was no danger but that corporations would multiply with sufficient rapidity regardless of how they were hemmed in by constitutional regulations. James N. Barton, representing the counties of Mendocino, Humboldt and Del Norte, agreed with the preceding speaker and guaranteed that the bankers would not go to China or to Egypt with their funds, but that they would remain in California and continue to put their money into the organization and operation of banks. He argued that the banks should be made responsible for the deposits of the people, and declared that, "If they are not responsible for our deposits, let them fall to the ground. Down with these upstart aristocrats. Cast them aside."

Daniel Inman, of Alameda County, emphatically announced that he was opposed to the amendment because it would do more injury than it could possibly do good. He knew of a number of small corporations throughout the state that had been organized directly in the interest of the farmers, in the interest of the poor man, and not in the interest of the rich. He felt that the amendment, if adopted, would drive every responsible man out of the banking field, and that only the irresponsible would remain. It would be a death blow to those bankers who really had been of great service to the farmers. He knew from experience how difficult it was to borrow money from individuals. He remembered, how,

"in Mr. Friedlander's time, he would shut up the bank, and force men to sell their grain at his figures. But today, we can go to these banks and get all the money we want by giving security. And I say where one dollar has been lost to the depositor in the banks of this State, there have been hundreds benefited by them. Now, Mr. President, one would suppose that there never had been any good derived from banks; that we were almost bankrupt from the failure of two or three banks; that men were suffering throughout the State from it. Why, we are the happiest and most prosperous state in the Union."

Toward the close of the afternoon, after further debate and after several fruitless attempts had been made to modify the proposition, the amendment to Section 3 offered by Judge Terry was adopted by a large majority vote. The amendment was as follows:

"The directors or trustees of corporations and joint stock associations, shall be jointly and severally liable to the creditors and stockholders for all moneys embezzled or misappropriated by the officers of such corporation or joint stock association."

The applause was so vociferous that the chairman had to rap vigorously for order and threaten to clear the lobby of spectators, whereupon T. D. Heiskell, of Stanislaus County, rose to declare that, "I hope the gentleman [the chairman] will not be particular. This is the first victory for the people that has occurred in four years."

On Friday, November 15, the debate centered around Section 5, which, as reported back by the committee, was as follows:

"The Legislature shall have no power to pass any Act granting any special charter for banking purposes; but corporations or associations may be formed for such purposes under general laws; but no corporation or association shall make, issue, or put into circulation, any bill, check, ticket, certificate, promissory note, or other paper, to circulate as money in this State, except the lawful money of the United States."

Without extended discussion, the delegates voted to strike out the word "special" from the first clause of the section. However, quite a debate ensued as to whether or not the Legislature should be authorized to pass general laws under which corporations or associations could be formed for the purpose of carrying on banking activities. M. M. Estee, the chairman of the committee, who placed this section before the Convention for discussion, declared

that the old Constitution permitted associations to be formed under the general laws for the deposit of gold and silver. This naturally would exclude the organization of corporations for the purpose of lending money, but such corporations, in fact, had been organized and had been active in lending money ever since 1850. He declared that the committee realized that banks would exist regardless of the provisions of the Constitution. The State Supreme Court had held that in spite of the constitutional provision in question, the banks had a legal right to have access to the State courts. In the face of the facts of the situation, the committee had concluded, therefore, that if banks were to exist they should be allowed and required to stand upon the same basis as any other business institution, and thus be permitted to incorporate under the general laws.

W. Van Dyke, of Alameda County, was fearful lest the proposed clause which prohibited any "corporation or association" from issuing paper money, would permit individuals to exercise that right in one form or another, and insisted that every precaution should be taken to prevent them from doing so. He therefore moved to amend by including the word "person" in the second clause of the section. His proposal was voted down. J. A. Filcher, of Placer County, then proposed an amendment which was aimed to prohibit the Legislature from passing any act granting any charter for banking purposes, but which would allow banking associations to be organized under the general laws of the State only "for the deposit of gold and silver and other lawful money of the United States." Thomas B. McFarland, of Sacramento County, claimed that this amendment would make it impossible for banks to do a general banking business, because they would merely be permitted to act as depositories of gold and silver and other lawful money.

M. M. Estee, in supporting McFarland's remarks, declared that the amendment would prohibit a bank from negotiating notes, lending money, or carrying on those branches of the business which they must do if they were to be successful. W. J. Howard, of Mariposa and Merced counties, agreed with the preceding speaker and urged that provision be made for banks of deposit of all classes of money and for banks of loan—in fact for banks organized to carry on all lines of business usually understood by the word "banking," except banks for the issuance of paper

money. W. F. White, of Santa Cruz, proposed an amendment authorizing the Legislature to pass laws to protect savings bank depositors; to "prohibit loans at high rates; to prohibit discrimination between borrowers; and to regulate by law the salaries of officers of savings banks." White's amendment was put to a vote and was lost.

D. W. Herrington, of Santa Clara, then proposed an amendment to prohibit any person, corporation, or association from making, issuing, or putting into circulation any kind of money "except the lawful money of the United States." Joseph C. Brown, of Tulare County, called the attention of the delegates to the fact that no one except the United States government had the right to make and put into circulation "the lawful money of the United States." He begged the Convention to show its good sense and to vote down such an asinine proposal, which it did.

For several hours the debate centered around the question as to whether or not the Legislature should be permitted to enact laws authorizing banks to exist and carry on a general banking business. Some of the more radical members of the Convention insisted that they should not be allowed to act in any other capacity than as depositories of gold and silver and the lawful money of the United States. The arguments advanced were strangely similar to those which characterized the debate over the same proposition during the First State Constitutional Convention. It was repeatedly pointed out, however, that both the incorporated and the unincorporated banking houses of the state were engaged in all phases of the banking business, except the issuance of bank notes. They had been officially recognized by the courts, and no steps had been taken to curb or to prevent their activities.

C. W. Cross, of Nevada County, urged that the delegates should be deliberate and cautious about anything that they might put into the Constitution affecting the banking interests of the state. "These banks," he said, "are a necessity; something that our business men cannot get along without. The commercial world can hardly move without banks, with those very powers which they now have." He claimed that if the amendment, proposed by Filcher and later amended by Judge J. S. Hager, to permit the lending of gold and silver and the lawful money of the United States, were passed, "Then the stockholders will be cut off from the large profits arising from selling exchange, letters of

credit, dealing in gold dust and making collections, and the commercial communities would be cut off from the dues which they derive from these sources. * * * Simply because it is a bank we must not tear it to pieces." C. C. O'Donnell of San Francisco then made a fiery speech in which he held that it was the duty of the Convention to do everything in its power to curb the "rotten banks" of the state. He declared that,

"corporations * * * and monopolies have a club with which tyrants beat our brains out. It is an engine by which the wealth and power of the country is circulated in the hands of a favored few. It is these dark crimes committed under the cloak of respectability. It is a power which today wields thousands of millions of dollars. It is a power which today wields and controls your Senators and, I think, Mr. President, that it is high time now that we should put a curb on these rotten banks. * * * I think it would be a good thing if they were all blotted out. I don't think there are half a dozen solvent banks in the State of California—all the rest are rotten."

Judge G. A. Johnson, of Sonoma County, offered the following as a substitute for the amendment previously proposed by Filcher:

"The Legislature shall have no power to pass any Act granting any charter for banking purposes, but corporations or associations may be formed for such purposes under general laws; but no corporation, association, or individual shall make, issue, or put in circulation any bill, check, ticket, certificate, promissory note, or other paper to circulate as money."

After some discussion it was adopted by a vote of 81 ayes to 46 noes.

This preliminary discussion of the sections of the proposed Constitution affecting banks had taken the greater part of the time of the Convention sitting as a Committee of the Whole for three days. Nothing further of interest occurred, so far as banks were concerned, until January 15, 1879, when V. E. Howard, of Los Angeles County, introduced the following article:

"Section 1. It shall be the duty of the Legislature to provide for the examination of all banks in this State, incorporated or unincorporated, and for the publication of a statement of their condition from time to time.

"Section 2. National banks shall be taxed like State banks."

It was referred to the Committee on Corporations other than Municipal, and was there allowed to die.

After the new Constitution had been whipped into fairly satisfactory form, it was then placed before the Convention and discussed, section by section, before being adopted as a whole. On January 29, 1879, those parts of the document relating to corporations and banks, which had previously been debated and amended, were laid before the delegates for final action. M. M. Estee proposed an amendment to Section 3, which amendment was aimed to relieve the directors or trustees of corporations or joint stock associations from being jointly and severally liable to the stockholders thereof, leaving them liable only to the creditors of such organizations. He met with considerable opposition from the assembled delegates. James S. Reynolds, of San Francisco, argued that,

"We desire to make Directors and Trustees responsible to the stockholders, because the stockholders are the very first class to be robbed by the management. * * * Perhaps there may be no creditors, and yet the corporation may be run into a condition of bankruptcy. Stockholders may be ruined. * * * Why, the stockholders are the very first ones to be robbed. They are robbed first, last, and all the time. Creditors generally manage to take care of themselves."

C. Barbour, of San Francisco, was more emphatic in his opposition to the proposal. He said that the proposition appeared to him to be

"nothing more nor less than a bold, flaring attempt to permit the continued robbery of the people by those who are entrusted with funds which are placed in their hands, and under their control. The whole object and intent of this section, although it refers to all corporations, is aimed at those who are in charge of the funds of the people, put in their hands for the purpose of honestly administering that trust. Now, sir, what are they? What are your depositors in the savings banks? They are stockholders receiving their dividends, and the gentleman says that they have power to step in and remove the Directors. When do they have that opportunity? Why, sir, it is after the bank fails. That is when they find it out. That is when they meet. That is when the investigation is made. It is a plain proposition of fraud on the face of it to say that two, or three, or five depositors of a savings bank are supposed to be seeing the proceedings of that institution, watching it every day, and calling meetings to displace the Directors.

It never happens until the fraud is consummated. It is said that these good kind capitalists, these prudent men, won't go into these institutions, and won't accept this position. If that is the logical conclusion, I say let them go and let them disappear from the face of the earth. This country won't go. If they cannot be honest and go into these positions, let them go. * * * If this continual stealing is to go on, it is better that they should be wiped off the face of the earth, and that the Government should establish for the people a place to deposit their earnings, secured by the credit of the Government. That is what I hope to see done yet, and if we carry this amendment it will probably be the consequence. * * * Then the people will not be at the mercy of dishonest tricksters, no matter how eminently respectable, and some of them are even now grinning behind prison bars."

The amendment as proposed by Estee was put to a vote, and was defeated by 96 noes to 26 ayes.

Thomas McConnell, of Sacramento County, then introduced another amendment to Section 3 which would have made directors and trustees liable to creditors and stockholders only where embezzlement and misappropriation of funds occurred through their direction, collusion, fault or negligence. H. Larkin, of Eldorado County, did not want to see the section changed in any particular whatsoever. He felt that as it stood it made the directors responsible, and that was what was desired and demanded. He maintained that, "If one-half of the banks of this State were closed it would be better for the people, who are robbed and plundered when there is no responsibility attached to the directors." C. Barbour, of San Francisco, again took the floor in advocacy of the section as it stood. He grandiloquently declared that,

"Society totters upon its very foundation, and the sky is portentious. Bloody and fearful spectres float around the air. Signs of the times portend the destruction of society, of law, of order, and of the world. What can we do, sir? What is the cause of all this threatened devastation and destruction? * * * These directors have been held up as figureheads to induce the hard-working sons of toil to go to these institutions and deposit their earnings; and now, because we propose to infuse a little life into these figureheads, a little responsibility, we are denounced as trying to destroy them. * * * The Directors of Duncan's Bank, and all those institutions that have failed, are innocent. Why? Because you cannot fix the responsibility upon them? You never can. The question is here, are gentlemen willing to give the people some protection? That is the question. If these Directors do

not want to take this responsibility they can resign. They can take their money and go into something else. They are not compelled to take these positions."

C. V. Stuart, of Sonoma County, was opposed to the section as it had been adopted in the Committee of the Whole, because he felt that a raid was being made upon the country banks, merely because a few banks had failed in San Francisco. The gentlemen from San Francisco had been very profuse in their denunciations of every bank because the worst abuses had been uncovered in their own city. Out in the country, however, it was well known by every farmer on the floor of the Convention that the banks were in a sound and healthy condition. The country banks were the only means by which the farmer could get money, because the San Francisco bankers preferred to make no loans on farm lands. He saw no reason why the entire state should be handicapped merely because there had been some swindling in San Francisco.

After a rather extended discussion, the amendment to exempt directors and trustees from liabilities, except where embezzlement or misappropriation had occurred through their collusion, fault, or negligence, was defeated by a vote of 81 noes to 52 ayes.

When the Convention assembled the next morning (January 30), H. C. Rolfe, of San Diego and San Bernardino counties, proposed an amendment to place the burden of proof upon a director or trustee to show that he was not responsible for any embezzlement or misappropriation of funds as a result of his direct collusion, fraud, or negligence. On roll call, this amendment was also defeated by a vote of 72 noes to 52 ayes.

Charles F. Reed, of Solano and Yolo counties, then moved to amend by striking out that portion of the amendment which would hold the directors or trustees of corporations and joint stock associations jointly liable to creditors and stockholders. That amendment was likewise rejected by a vote of 83 noes to 45 ayes.

Judge J. S. Hager then moved to amend Section 3 by requiring that directors or trustees of joint stock associations should be held jointly liable "during the time they hold such office." He maintained that there was a difference between the two phrases, "during the time that they hold such office," and "during the term of office." A director might be elected for a term of one year, but he might hold office for only one month. He should not, therefore, be held responsible for anything that occurs during his term un-

less it happens during the one month that he serves as director. The Convention was undoubtedly in no mood to accept an amendment, and rejected his proposal by a vote of 89 noes to 34 ayes.

The Convention then passed to Section 5 as reported out by the Committee of the Whole. That section read as follows:

"The Legislature shall have no power to pass any Act granting any charter for banking purposes, but corporations or associations may be formed for such purposes under general laws; but no corporation, association, or individual shall make, issue, or put in circulation any bill, check, ticket, certificate, promissory note, or other paper, to circulate as money."

James M. Shafter, of the Third Congressional District, moved to strike out all of that part of the second clause following the word "circulation" and to insert "as money, anything but the lawful money of the United States." He claimed that the words, "lawful money of the United States," included gold, silver and greenbacks, and that when the Convention, in its discussion as a Committee of the Whole, had struck that phrase from the section, it was done for the purpose of discouraging the use of the greenbacks. He was desirous of challenging the Convention to express itself as being opposed to the circulation within the state of any kind of money issued by the United States. His amendment carried by a vote of 111 ayes to 16 noes, and Section 5 as thus amended was concurred in.

The sections of the new Constitution affecting banks as finally adopted by the Convention, to be referred back to the people, were as follows:

"Section 1. Corporations may be formed under the general laws, but shall not be created by special Act. All laws now in force in this State concerning corporations, and all laws that may be hereafter passed pursuant to this section, may be altered from time to time or repealed.

"Section 3. Each stockholder of a corporation or joint-stock association, shall be individually and personally liable for such proportion of all its debts and liabilities contracted or incurred, during the time he was a stockholder, as the amount of stock or shares owned by him bears to the whole of the subscribed capital stock or shares of the corporation or association. The Directors or Trustees of corporations and joint-stock associations shall be jointly and severally liable to the creditors and stockholders for all moneys embezzled or misappropriated by the officers of such

corporation or joint-stock association, during the term of office of such Director or Trustee.

"Section 5. The Legislature shall have no power to pass any Act granting any charter for banking purposes, but corporations or associations may be formed for such purpose under general laws. No corporation, association or individual shall issue, or put in circulation, as money, anything but the lawful money of the United States."

The Convention, after sitting for one hundred and fifty-six days, adjourned *sine die* on March 3, 1879. The document containing the results of their labors was printed and circulated widely among the voters. May 7, 1879, was the date set for its approval or rejection by the people. In the interim, one of the most strenuous and bitter campaigns ever waged in the state was staged by its proponents and opponents. Its advocates heralded the document as a panacea that would remove all the ills from which California had been suffering for years. They claimed that it would bring about a clean, efficient government, make special legislation impossible, reduce taxation, drive out the Chinese, raise wages, and benefit manufacturing, business and agriculture. There is no denying the fact that it was supposed to be a document framed for the purpose of protecting and benefitting the workers and the farmers, and of "cinching" capital in every form.

The opponents of the proposed Constitution condemned it as a radical and communistic document, framed in heat and anger, and filled with dire potentialities so far as the economic development of the state was concerned. They claimed that the document would make possible double or treble taxation of property values in the state, and that it would destroy business confidence, drive capital out of the state, raise interest rates, cause great losses to creditors, reduce the demand for labor, and harm agriculture. It was also stated that the anti-Chinese clauses would be declared to be null and void as soon as the courts had an opportunity of passing upon them. In this last contention, their prophecy proved to be correct.

The savings banks were especially opposed to the document because of the taxation clauses, which defined as subject to taxation such property as bonds, stocks, money, mortgages, etc., as well as lands and all other things capable of private ownership. They publicly announced that the adoption of the new Constitu-

tion would cause them to raise their interest rates at least two per cent. The Sacramento Savings Bank sent the following circular to all of its borrowers:

"I herewith beg leave to inform you that your note of $____ is due on the ____ day of ____; and if the New Constitution shall be adopted, the increase in taxation therein provided will compel the bank to materially increase the rate of interest on your loan, or call it in."

During the campaign, the directors of the Hibernia Savings & Loan Society sent the following notice to the depositors and borrowers of that bank and also ran it as an advertisement in the local papers condemning the document in the following terms:

"In part it is so confused, inconsistent and absurd, that it must lead to protracted controversy and litigation. Its scheme of taxation is arbitrary, unjust and impracticable. It proposes to tax (1) depositors on their pass books; (2) to tax the Bank on its mortgages; (3) to tax the coin secured by the mortgages; and (4) it authorizes the taxation of dividends. It provides for taxing all contracts and obligations of every description, as so much property; and it gives the Legislature power to increase or diminish the rate of taxation upon any particular property—power to make one kind of property pay nearly all taxes required by the State—a power which must lead to infinite strife, contention, bribery and corruption.

"It is our deliberate judgment that the new Constitution would tend to make money scarce and dear; to fetter industry; to discourage enterprise; to prevent the establishment or continuance of factories and workshops; to diminish the value of property, and to hinder the construction of buildings and other improvements which go to develop the state and give employment to workingmen; that it is revolutionary and destructive in its spirit and purpose, and tends to create discord and hatred between classes, and that it would do more harm to working people than to any other class."

The San Francisco Savings Union, the German Savings & Loan Society, the Security Savings Bank and the Humboldt Savings & Loan Society, all issued similar statements.

While we are not here concerned with a discussion of the proposed State Constitution as a whole, nevertheless one is compelled to admit that like all other similar documents it was far from perfect. It was truly looked upon with fear by the moneyed interests of the state, and every possible effort was put forth to

secure its defeat. The opponents formed a publicity bureau, which it was said had approximately $700,000 at its disposal. Practically all newspapers were induced by one means or another to oppose the adoption of the document. Among the San Francisco papers, the *Chronicle* stood alone in its support of the new Constitution. A few journals published in the interior of the state also announced their support.

During the campaign, fair means and foul were used by both sides to attain their goal. On May 7, 1879, the people by a vote of 77,959 to 67,134 adopted the document and it became the organic law of the State. Almost immediately some of its ambiguous and unjust sections were carried before the State Supreme Court, which in time smoothed out many of the provisions whose results had been most feared by the moneyed interests. The legislative session of 1880 also greatly assisted in removing certain difficulties, so that no unusual effects were experienced under the new Constitution by the banking fraternity of the state. Nor was the economic progress of California interfered with as a consequence of its adoption. For the most part the prophecies of its opponents came to naught, and only a few of those made by its advocates were ever realized. No political document could possibly retard the development of California with its boundless resources, its matchless climate, and its people possessed of an indomitable spirit.

CHAPTER XI

THE SOLID EIGHTIES

For California as a whole the decade of the '80s was a period of slow, quiet and constructive growth. The citizens of the state seemed to have become adjusted to the changed conditions made inevitable by the completion of the transcontinental railroad. The great mines of the Comstock Lode had settled down to a steady production of gold and silver. The people turned increasingly to the development of the agricultural and industrial resources of the state as affording the most satisfactory basis for the prosperity and advancement of the commonwealth. An intensive, rather than an extensive, development characterized the economic activities of the times.

The unusual clauses and sections of the new Constitution inevitably caused a certain amount of uneasiness during the first year or two of the period, but by the closing months of 1882, economic and political affairs had become fairly stabilized, so that California appeared to be ready for a period of thorough-going progress. That this resulted is evident from a most casual survey of the economic advancement which characterized the decade. In 1881, there were only 2,220 miles of railroads in California. By 1890, this had increased to 4,250 miles. Naturally, this was accompanied by a rapid expansion of the resources of those regions tapped by the new mileage and by an ever increasing population, which came into the state primarily as the result of the extensive advertising campaign carried on by the railroads and by various local chambers of commerce.

The population of the state increased from 865,000 in 1880, to 1,213,000 in 1890, or at the rate of about 40,000 a year. All parts of California, especially those in the interior and southern sections, experienced a boom period as a result of the exploitation of their agricultural resources. Barley and other field crops, grapes and citrus fruits were planted in large acreages. The capital invested in vineyards increased from $40,000,000 in 1880,

to $87,000,000 in 1890, and the acreage so planted expanded from 70,000 to 200,000. The raisin crop totaled about 75,000 boxes in 1880, but exceeded 1,600,000 boxes in 1890. The number of farms increased from 35,934 to 52,894, the total acreage from 16,593,742 to 21,427,293, and the total value of farm lands from $305,999,440 to $772,065,570, while the size of the average farm decreased from 462 acres to 405 acres.

In the realm of manufacturing, noticeable progress was also evidenced. During the decade, the number of manufacturing plants increased from 5,885 to 7,923, the amount of capital invested from $61,243,784 to $146,797,102, the number of employees from 43,693 to 83,642, and the value of goods produced from $116,218,973 to $213,403,996. All in all, the decade was one of California's upbuilding, as is conclusively shown by the fact that the total valuation of its real and personal property increased from $1,343,000,000 to $2,533,733,627.

A much better situation also prevailed in the labor and political worlds. The radical movement disappeared as prosperity smiled upon the state. Kearneyism could not survive in the face of abundant employment. Trade unionism displaced the Workingmen's Party movement, and has since that time occupied the attention of the labor element with demands for higher wages, shorter hours and better working conditions. Also, so far as the general public was concerned, one notes a passing of the old rash, speculative spirit. There were no stock booms with their accompanying crashes, similar to those that had characterized the two preceding decades. Banking was safer, because it was necessarily conducted in a more conservative manner.

The first board of bank commissioners, although it had closed a number of banks and had temporarily shaken the faith of the public in the stability of the state's financial houses, had nevertheless forced the bankers to be more careful about their business methods, their investments, etc. From July 1, 1878, to July 1, 1880, the number of savings banks had decreased by eight, while commercial banks had increased by two. No data are available for that period relative to the activities of private banks. During the two years in question, the deposits of savings banks had decreased from $71,468,581 to $47,719,829, and their total resources from $80,248,687 to $54,102,066. Similarly a decrease had taken place in the assets of the commercial banks, which fell

from $71,683,742 to $65,473,454, although their deposits had risen from $28,659,850 to $31,558,458. The capital stock and surplus of all the state chartered banks (savings and commercial) had declined $6,548,377, due primarily to the enforced "writing down" of the value of their assets.

If one includes data relative to the branches of foreign banks, the total decrease in the capital and surplus of California banks (excluding national and private banks) during the period June 30, 1878, to July 1, 1880, was approximately $9,000,000. The decade of the '80s, however, was one of splendid recovery and growth, as is shown by a comparison of the reports filed with the bank commissioners for July 1, 1880, and July 1, 1890. On July 1, 1880, 20 savings banks and 58 commercial banks, including the local branches of foreign banking houses, reported combined capital, surplus and reserves of $35,836,366, deposits of $79,278,287, and assets of $119,575,520.

Ten years later, 37 savings banks and 131 commercial banks (state chartered and foreign branches) reported combined capital and surplus of $63,315,380, deposits of $149,156,995, and resources of $220,484,408. If one includes the reports of 37 national banks and 27 private banks with the reports of the 5 foreign branches, the 37 savings banks and the 126 state chartered commercial banks, the data for July 1, 1890, showed combined capital, surplus and reserves of $78,532,439, deposits of $171,229,531, and assets of $261,353,368. Truly a wonderful growth for the ten-year period, considering the events of the closing years of the '70s!

While the number of banks, organized in California during the first three years of the '80s, was relatively small, nevertheless the movement obtained considerable momentum, and outside of the temporary setback caused by the hard times of 1884 in the eastern part of the United States, which affected California only to a slight extent, the number of banks operating in California increased at a surprisingly rapid rate.

During 1880, there were but few changes in the banking world. The Bank of Willows was incorporated, September 1, 1880, with N. D. Rideout, president, and W. C. Murdoch, cashier. It was capitalized at $200,000, one-half of which was paid in. A savings department was added on February 19, 1917. The Napa

Valley Savings & Loan Society of Napa and the Capital Savings Bank of Sacramento liquidated on January 1, 1880. The former paid all claims in full, while the latter paid about 40 per cent to its depositors. The Sacramento Savings Bank, a mutual organization, after a very prosperous career, retired on May 1, 1880, and paid all claims in full, its assets and business being taken over by its affiliated institution, the Sacramento Bank.

The San Jose Savings Bank liquidated October 16, 1880. It was during this year that the Los Angeles County Bank gave up its savings bank business and became a commercial bank. The private banking firm of Cressler (W. T.) & Bonner (J. K.) began operations in Cedarville in 1880. It retired in 1903. On June 30, 1880, the Santa Barbara County Bank became the Santa Barbara County National Bank, and on July 31 the Commercial Bank of Los Angeles became the First National Bank of Los Angeles. The story of these two national banks has been presented elsewhere in these volumes.

The beginnings of banking in Riverside are somewhat shrouded in mystery. It is claimed that during the pioneer days of that city, Burt Brothers, who operated a general merchandise store, also carried on some banking for the convenience of their customers. The first *bona fide* banking house was opened for business on December 6, 1880, as a result of the initiative of O. T. Dyer, an Illinois banker, who arrived in Riverside in July of that year. He immediately set about to erect a small bank building at the corner of Ninth and Main streets, in which he opened a bank on the date above mentioned. The firm was composed of W. H. Dyer of Troy, N. Y., O. T. Dyer, and Miss E. C. Dyer. Miss Dyer acted as cashier of the new institution. The business was incorporated as the Riverside Banking Company, February 12, 1885, with A. Keith, president, and O. T. Dyer, manager. It had a capitalization of $200,000, of which more than one-half was paid up.

For a number of years thereafter that bank satisfactorily served the needs of the growing community, but various speculative ventures, unwisely entered into, caused it to suspend in 1893 with serious losses to its creditors. In 1883, another private banking firm, that of Kleinschmidt, Kleinfelter & Newberry, was organized in that city, but it survived for only a short time. It was located at the southwest corner of Eighth and Orange

LOOKING EAST FROM GRAND AVENUE, NEAR FIFTH STREET,
LOS ANGELES, ABOUT 1880
Present business and financial center.

EARLY VIEW OF SIXTH AND MAIN STREETS, LOS ANGELES
Present site of Hellman Bank.

streets. Thomas Bakewell & Sons also operated for some years as private bankers in Riverside, but suspended in 1889 as a result of the difficulties following the failure of the orange crop. "It was an honest failure, and nobody lost, excepting the man most prominent in the undertaking, and whose death was hastened by the disaster."

The State bank commissioners in their first annual report (June 30, 1879) had made but three recommendations to the Legislature, i. e., (1) that banks be examined annually rather than semi-annually; (2) that the assessments for licenses be levied on a more equitable basis than upon deposits; and (3) that the time for making the annual report of the commissioners to the governor be changed from June 30 to September 1, so that the reports from the banks made on July 1 might be included in the commissioners' statement. Six months later (January 7, 1880), they renewed their recommendations, including a number of others. They urged that private banks be required to submit semi-annual reports of their condition. They did not suggest or ask that these banks be officially examined. They raised the very interesting question as to whether or not commercial banks should pay interest on deposits. At least two-thirds had been doing so.

The commissioners felt that a commercial bank should not engage in savings bank activities any more than that a savings bank should operate as a commercial bank. They urged that there should be no interference by one class of institutions with the legitimate province of the other. As far as the savings banks were concerned, there was supposed to be a legal prohibition preventing them from engaging in commercial banking. The law of 1864 had decreed that no savings bank, unless it was capitalized at, or had a combined capital and reserve of, $300,000 or more, should be permitted to make loans on personal security.

The bank commissioners discovered that many of the savings banks were either ignorant of the law or were indifferent to its limitations. For example, the second bank examined by the commissioners, the Farmers & Mechanics Bank of Savings of San Francisco, had a paid-up capital of $60,000. It had actually been doing a commercial banking business in violation of the law, some of its most questionable loans being the result of its commercial banking activities. Shortly after the forced closing of the Farmers & Mechanics Bank, the Farmers Savings Bank

of Stanislaus County, at Modesto, notified the bank commissioners that "it realized the impropriety of doing both a commercial and savings bank business, and consequently wound up its affairs and organized a commercial bank under the name of the 'Modesto Bank'." The Odd Fellows Savings & Commercial Bank of Sacramento had been engaged in both kinds of business, and had suspended because its directors knew that it could not stand examination by the bank commissioners.

The Savings & Commercial Bank of Vallejo had also been engaged in both kinds of business and had lost approximately two-thirds of its capital stock. It was ordered henceforth to keep within the law and to do only a savings bank business. The Los Angeles County Bank, organized in December, 1879, had likewise tried to carry on both classes of business, and the results not having been satisfactory, the directors resolved thereafter to confine the bank's activities to a strictly commercial business. The Capital Savings Bank of Sacramento and the San Jose Savings Bank were cited as two additional instances of "the practical want of success of such unhealthy 'unions'."

The commissioners, therefore, urged the Legislature to pass a law prohibiting any bank from acting as both a savings bank and a bank of discount or commercial bank. They also called attention to the fact that a number of banks operating in the state and having the word "savings" in their title, were in reality operating purely as commercial institutions. For example, there were the Petaluma Savings Bank, the Savings Bank of Santa Rosa, the Farmers Savings Bank of Lakeport, and Oliver Irwin's Savings Bank of San Rafael. The first three had been incorporated under the general laws and were really commercial banks; the latter was a private bank. The commissioners stated that they did not like this "sailing under false colors," and hoped that the Legislature would enact a law to prohibit the use of the word "savings" under such circumstances, because it was calculated to deceive the public.

The commissioners also raised the question as to whether or not a limit should be placed on the amount which one individual might deposit to his account in a savings bank. They felt that there was a real danger in allowing an individual to make large deposits. They called attention to the fact that the Capital Savings Bank of Sacramento had reported $376,000 as being due to

one depositor, while fifty-three others had deposits exceeding $5,000, amounting in all to $1,000,000. This had been one of the main reasons for the enforced liquidation of that bank on January 2, 1880, after its unsatisfactory condition had been disclosed by the examination of the commissioners.

The advisability of limiting the amount of loans to one person, firm, or corporation was also suggested by the commissioners. The French Mutual Provident & Loan Society of San Francisco was cited as an outstanding instance of what had been done and what should not be done, in that it had loaned more than $850,000 to one person and $250,000 to another. The Odd Fellows Savings Bank of San Francisco had been guilty of the same offense, for it had loaned $400,000 to one person. Other similar instances were cited.

The commissioners urged that commercial banks be prohibited from lending more than 15 per cent of their paid-up capital to one person, and that savings banks be prohibited from lending more than 5 per cent of their total assets to one person. The commissioners recommended the codification of all banking laws so that bankers might become more conversant with the legal enactments affecting the banking business.

In their report submitted to the Legislature on January 1, 1881, the State bank commissioners again repeated their former requests for needed banking legislation. They also urged that all banks in liquidation be placed under their jurisdiction so that they might better protect the interests of the depositors. They asked the repeal of that portion of the law of 1864 which permitted savings banks, with a capital or capital and reserve of $300,000 or more, to make unsecured loans. They felt that the making of unsecured loans was solely the province of commercial banks. Nothing came of these recommendations, however, the Legislature being content to keep its hands off the banking field for a number of years thereafter.

The first bank to be established in 1881 was the Farmers Exchange Bank of San Bernardino, which was incorporated on May 16, with Byron Waters, president, and E. H. Morse, cashier. It was capitalized at $100,000, about one-fifth of which was paid in. In 1884, H. L. Drew was made president, and retained that office until his death in 1901. This banking house was the first incorporated institution in the county, having been preceded by the

private banking firm of Meyerstein & Company, which had been organized in 1874. The Farmers Exchange Bank retired as a result of the panic of 1907. On October 26, 1881, the Fresno County Bank was incorporated, with a capital stock of $100,000, one-fourth of which was paid in. J. W. Hinds was president, and W. V. Hay, cashier. On April 1, 1885, it became the First National Bank, and on June 18, 1921, was purchased by the Bank of Italy.

The Bank of Benicia was incorporated on December 1, with W. F. Goad, president, and J. E. Crooks, cashier. It had a capital stock of $200,000, of which $30,000 was paid in. It voluntarily retired following the panic of 1893, and paid all depositors in full. The private banking house of Herbert Kraft was started in Red Bluff some time during this year. It was incorporated April 24, 1895, as the Herbert Kraft Company Bank, with $200,000 capital stock. Herbert Kraft was president, and George Kraft, cashier. It voluntarily dissolved, February 17, 1912, its assets being purchased by the Red Bluff National Bank, which had been organized primarily for that purpose by another group of capitalists.

During the summer of 1881, the Union Trust Company of San Francisco was incorporated, but it was forced to close its doors within a year's time. There was no connection between this house and the one organized some years later by I. W. Hellman and associates with the same title. The Franco-American Savings Bank of San Francisco, which had been incorporated by depositors who had become dissatisfied with the operations of the French Mutual Provident Savings & Loan Society, decided to dissolve during the early part of 1881. The Bank of Vallejo also retired voluntarily, paying its depositors in full. In the closing months of 1881, the bank commissioners ordered the Marysville Savings Bank to close its doors, owing its depositors $445,892. It had been incorporated in 1869 as a mutual savings society. It had been forced to liquidate because of a shrinkage in local real estate values. Depositors, however, were paid in full.

The bank commissioners in their report to the governor, under date of January 1, 1882, again strongly urged the enactment of the various measures which had been suggested in their earlier reports. They declared that they could have been of much greater service to the depositors of the state had the Legislature seen fit

to make the requested changes. They openly stated that, "By neither Legislature were our suggestions even treated with the courtesy of consideration. It is to be regretted that those honorable bodies would not devote as much time and thought to endeavoring to change the law, so as to better protect bank depositors, as they did to two successive and prolonged efforts (without cause) to change the personnel of the commission." The term of office of two of the commissioners expired on May 15, 1882, and immediately thereafter a great scramble occurred among the politicians for their places.

The commission during its early years had done yeoman service in cleaning up the banking situation in the state. But, as one of the bankers of the time has said, "Having by its initial action justified its existence, the bank commission rested on its laurels and the board soon became a refuge for broken down politicians, appointed without regard to efficiency. Most of the bankers resented what they considered an unwarranted prying into their affairs and continued to conduct their business according to their own fancies. The 'examinations' of the bank commissioners were no more farcical than were the published statements of the banks, so far as showing the true condition of the banks was concerned."

The reports filed with the bank commissioners on January 1, 1882, showed 17 savings banks with deposits of $51,967,395 and total resources of $57,783,326; 59 commercial banks, including 5 foreign branches, with deposits of $34,425,126 and total resources of $70,305,193; a total of 76 banks with aggregate deposits of $86,392,521 and aggregate resources of $128,088,519. Thus during 1881, the deposits of savings and commercial banks had increased respectively $2,935,968 and $2,330,589, while their resources had increased respectively $2,642,758 and $4,038,918. As might be expected, the returns from the San Francisco banks (eight savings and nine commercial) loomed large in the above totals. They reported aggregate deposits of $67,717,250 and resources of $98,187,665.

The condition of the banking institutions of the state was much more favorable than it had been for a number of years. A much smaller amount of money was locked up in governmental bonds and real estate, and a very much greater sum was being actively and profitably employed in loans on grain, commercial paper, etc.

The increase in the latter was approximately $6,000,000. Laborers, farmers and mercantile classes were much more prosperous, as was shown by an increase of approximately $3,000,000 in savings bank deposits.

During 1882, seven banks were incorporated under the laws of the State. The Farmers Bank of Fresno was chartered March 8, with a capital stock of $100,000, about one-half of which was paid in. Lewis Leach was president, and W. W. Phelps, cashier. This institution became the Farmers National Bank of Fresno in 1899, with $150,000 capital stock. On May 6, 1920, it was purchased by the Fresno Bank & Trust Company of Central California, which had been incorporated on February 26, 1887. On May 29, 1920, the title of the latter was changed to the Fidelity Trust & Savings Bank, and on July 1, 1922, it was purchased by the Los Angeles Trust & Savings Bank, which later became the Pacific Southwest Trust & Savings Bank.

N. D. Rideout established the California State Bank at Sacramento, with a capitalization of $500,000, one-fifth of which was paid in. This bank was incorporated on April 10, with Rideout as president, and A. Abbott as cashier. It prospered and in time its capitalization was increased to $1,000,000. In January, 1907, the title of the bank was changed to the California National Bank. In 1913 it organized an affiliated institution, the California Savings Bank, which in October, 1920, became the California Trust & Savings Bank. On October 22, 1925, it purchased and absorbed the National Bank of D. O. Mills & Company, which gave it combined resources of $39,733,317 at the time of the consolidation. Its capital stock was also increased to $1,500,000.

The Commercial Bank of Santa Ana was chartered April 22, 1882, with D. Halladay, president, and W. S. Bartlett, cashier. It started with one-half of its $100,000 capital stock paid in. On May 31, 1910, it was sold to the Farmers & Merchants National Bank of Santa Ana, which had been established in 1905. The California Safe Deposit & Trust Company of San Francisco reincorporated April 24, so as to be able to transact a general banking business. It was capitalized at $2,000,000, of which only $800,000 was paid in. J. D. Fry was president, and C. R. Thompson, cashier. It was most successful for a number of years, but was finally wrecked by Dalzell Brown and his associates, closing

its doors on October 30, 1907. We shall have more to do with this institution in Chapter XV.

The Stockton Savings Bank was organized on July 5, 1882, with H. S. Sargent, president, and Sidney Newell, cashier. It had an authorized capitalization of $500,000, but only one-fifth was paid in. On December 9, 1916, it changed its title to the City Bank of Stockton. The Bank of St. Helena was chartered on August 9, with a capitalization of $100,000, of which only $17,740 was paid in. S. Ewer was the first president, and C. P. Hastings, the first cashier. It was sold to the Liberty Bank of San Francisco on September 19, 1925.

The last bank to be incorporated during the year was the Siskiyou County Bank of Yreka, which was chartered on September 11, with a capitalization of $100,000, one-third of which was paid in. Jerome C. Churchill was president, and F. E. Wadsworth, cashier. This was an incorporation of the pioneer bank of Siskiyou County, which had been started as a private institution in 1854. It was sold to the Liberty Bank of San Francisco on March 27, 1926. The aggregate paid-in capital stock of these seven new banking houses amounted to over $1,100,000. During 1882, the Bank of Stockton became the Stockton National Bank, but on October 31, 1883, it voluntarily liquidated. The Bank of Bodie, in Mono County, suspended during 1882; it had been chartered in 1878.

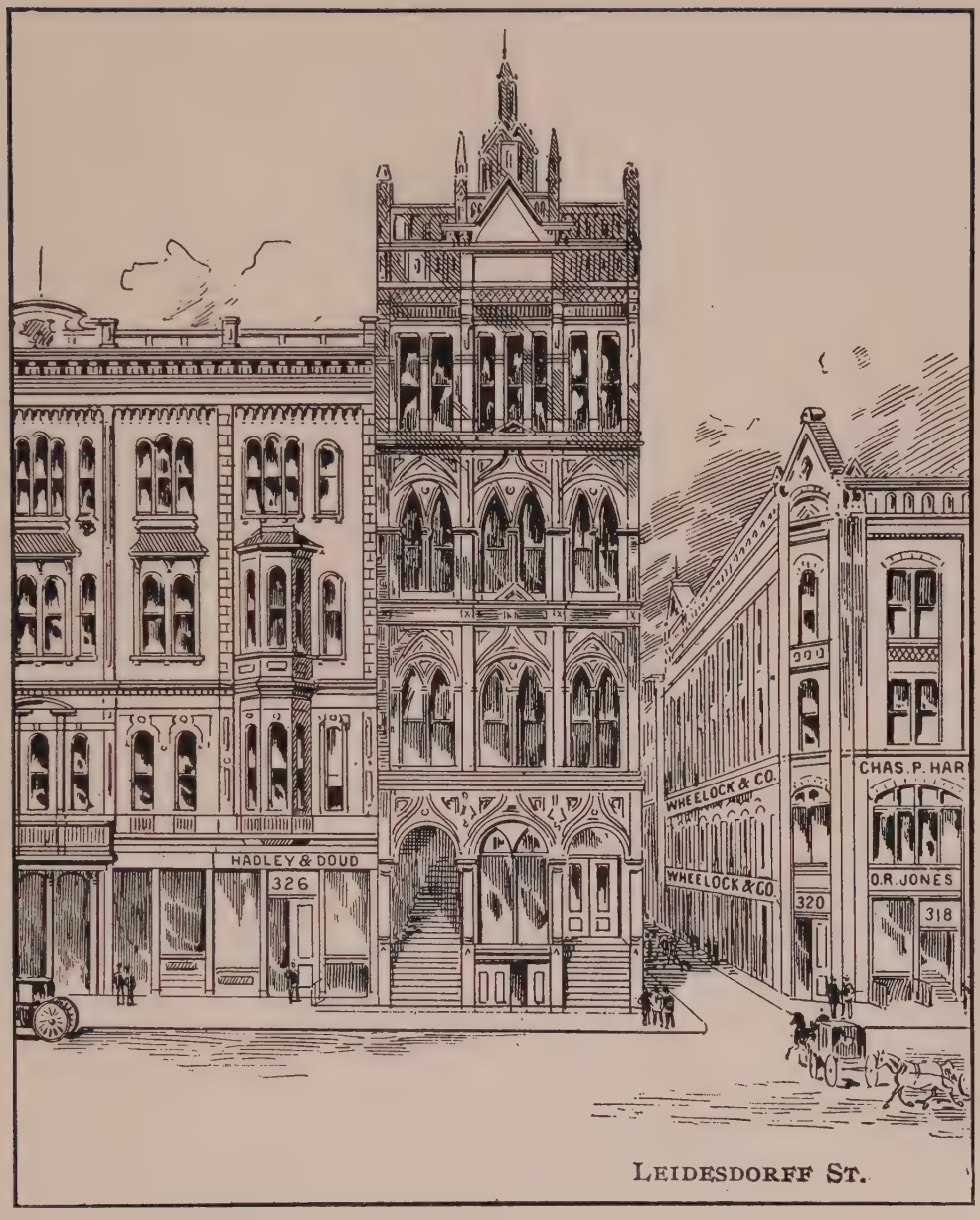
On January 1, 1883, seventeen savings banks reported deposits of $55,223,985, and sixty-five commercial banks, including the foreign branch banks, reported deposits of $37,813,258, or aggregate deposits for the banks of the state of $93,037,243. This sum represented an increase of $6,644,722 during the year 1882. The resources of the banks had increased at even a greater rate. The savings banks reported resources of $60,848,212, and the commercial banks, $76,749,107, or an aggregate of $137,597,319, which represented an increase of $9,508,800 over the preceding year.

Several more banks were organized in 1883 than in 1882. The Bank of Yolo, at Woodland, was incorporated January 27, 1883, primarily as the result of the activities of A. D. Porter. Woodland was already possessed of an excellent banking institution, the Bank of Woodland, established in 1868. Mr. Porter had for many years been profitably engaged in the grocery business

at Woodland and was also one of the large property holders of that city. His plan was to establish a bank which would be popular in its character, no subscriber being allowed to possess more than $10,000 of stock. Almost all of its $300,000 capital stock was immediately subscribed, and the bank opened with Dr. H. P. Merritt, president, and C. W. Bush, cashier. Mr. Porter later organized the Yolo County Savings Bank (December 9, 1891), of which he was the first president. C. W. Bush was subsequently elevated to the presidency of the Bank of Yolo and remained in that position until the early months of 1921, when after thirty-eight years of active banking service with that institution he was forced to resign because of ill health. He was succeeded by George N. Merritt. Mr. Bush was for many years a most active and influential member of the banking world in Northern California. He was also one of the backers of the Northern Electric Railroad.

The Los Angeles National Bank was organized April 3, 1883, with a paid-up capital stock of $500,000. George H. Bonebrake was president, and F. C. Howes, cashier. It was absorbed by the First National Bank of Los Angeles in 1905. A. C. Henry, who had been a prominent figure in the banking circles of Oakland, organized the Bank of Haywards on May 17, 1883, with a capital stock of $50,000, one-third of which was paid in. Henry was president of the new institution, and P. R. Borein was cashier. The bank opened on September 3, but not obtaining sufficient patronage, voluntarily retired on August 23, 1884. The Bank of Vacaville was chartered on April 23, with R. D. Robbins, president, and E. Fisher, cashier. It was capitalized at $100,000, with one-third that amount paid in. On January 27, 1923, it was sold to the Bank of Italy.

Crocker, Woolworth & Company was established as a private banking firm in San Francisco on June 3, 1883. The bank was organized by Charles Crocker, one of the four men who built the Central Pacific and Southern Pacific railroads. Associated with him in the venture were his son, W. H. Crocker, Ralph C. Woolworth, who had been the president of the First National Bank of San Francisco, W. E. Brown, and E. H. Miller, Jr., the two last mentioned having been intimately connected with Mr. Crocker in the administration of the Southern Pacific Railway Company. Woolworth had been born at Lowville, N. Y., in 1841. He arrived



THE OLD CROCKER NATIONAL BANK, SAN FRANCISCO

in San Francisco April 28, 1863, and went to Sacramento, where he entered the employ of the Bank of D. O. Mills & Company. Several years later he suggested that Mills establish a branch in San Francisco, but instead Mills asked Woolworth to establish a branch for him in Northern California. Finding himself out of sympathy with the plans of his employer, he resigned and assisted in the organization of the Capital Savings Bank of Sacramento on February 8, 1869, becoming its first cashier. He was a close friend of George F. Hooper, who invited him in 1875 to come to San Francisco and accept the cashiership of the First National Bank, which he did.

A year later Woolworth became president of that institution, resigning in 1883 to become associated with Charles Crocker. On September 1, 1886, the firm of Crocker, Woolworth & Company was incorporated as the Crocker Woolworth National Bank, with a capital of $1,000,000. Woolworth was president and served in that capacity until his death on June 10, 1893. W. H. Crocker was the first cashier and succeeded to the presidency upon the death of Mr. Woolworth. In 1895, the Crocker Woolworth National Bank absorbed the banking firm of Sisson, Crocker & Company. The latter had been organized in 1890 as a private bank and had incorporated April 25, 1892. It had grown out of a firm that had been engaged in the railroad contracting business and was not connected in any way with the Crocker Woolworth National Bank. In 1898, the Tallant Banking Company was purchased. In September, 1906, the Crocker Woolworth National Bank became the Crocker National Bank, and on January 2, 1926, it merged with the First National Bank of San Francisco, the resulting consolidation being known as the Crocker-First National Bank. W. H. Crocker was made president of the new organization, with F. G. Willis, cashier. The new bank started out with a capital of $7,500,000, surplus of $2,925,000, and assets of $118,139,568.

The Bank of Southern California, of San Diego, was organized June 16, 1883, with Jacob Gruendike, president, and C. E. Thomas, cashier. M. T. Gilmore, W. L. Park and John Wolfskill were also active in its organization. On August 17, 1883, the bank was rechartered as the First National Bank of San Diego, with the same officers, and with a capital of $50,000. Gruendike retained the presidency, with the exception of one year, until his

death in 1904. He was succeeded by D. F. Garretson. In April, 1889, the stockholders of the First National Bank organized the San Diego Savings Bank as an associated savings institution. On December 29, 1917, the First National Bank of San Diego absorbed the American National Bank of that city, which had been established in 1904.

The Pacific Trust Company of Stockton was incorporated on August 20, 1883, and opened for business on October 24. B. F. Langford was president, and M. D. Baker, cashier. It was capitalized at $500,000, but only $81,150 was paid in. It voluntarily retired November 1, 1884. The Pomona Bank was chartered on September 13, 1883, but did not open for business until August 25, 1884. It was capitalized at $50,000, $20,000 of that amount being paid in. H. A. Palmer was president, and F. L. Palmer, cashier. It was forced to suspend in August, 1889, because of certain objections having been raised by the bank commissioners to its methods of carrying on its business. It paid depositors in full. The Bank of Camptonville opened its doors in October, 1883, but retired on August 23, 1884. A. G. Miller was president, and J. P. Brown, cashier. The Bank of Los Gatos was incorporated November 9, 1883, and opened for business on December 1. It had a capital stock of $50,000, with one-fourth of that sum paid in. Samuel Templeton was president, and W. W. Kirkland, cashier. It was purchased by the Bancitaly Corporation in January, 1927.

The last bank to be organized during 1883 was the Pomona Valley Bank of Pomona, which was incorporated November 12, 1883, with J. H. Smith, president, and Thomas Coates, cashier. It had a capital stock of $50,000, one-fourth of which was paid in. On July 1, 1886, it became the First National Bank of Pomona.

On January 1, 1884, seventeen savings banks reported deposits of $59,923,749, and total resources of $65,811,298. Seventy-one state commercial banks, including the foreign branch banks, reported deposits of $37,349,625, and total resources of $80,122,153. The totals for these two groups represented an aggregate of $97,273,374 in deposits, and $145,933,451 in resources—a gain for the year of $4,236,131 in deposits and of $8,336,132 in resources.

During 1884 there was a falling off in the number of banking houses established, due undoubtedly to a slight degree to the busi-

ness uncertainty prevailing in the eastern states. On January 4, the old well known house of Lazard Frères incorporated under a British charter as the London, Paris & American Bank, Ltd., and officially opened for business on March 5. Lazard Frères, silk importers and dealers in exchange, with offices in London and Paris, had opened a San Francisco agency September 11, 1876. Alexander Weill was the local manager. Gradually, the exchange and banking phases of their business predominated and they decided to abandon the exporting and importing fields. In time the growing importance of their banking activities caused them to consider seriously the advisability of taking out a banking charter in some foreign country, which was finally done in 1884. As has already been noted, this bank nationalized in 1908 as the London Paris National Bank, with a capital of $2,000,000, and in January, 1909, was merged with the Anglo-Californian Bank, Ltd., which had been organized in April, 1873, by J. & W. Seligman & Company. The resulting institution became the Anglo & London Paris National Bank, with a capital of $4,000,000 and a surplus of $1,500,000. The latter has remained one of the outstanding institutions in California.

The Fresno Loan & Savings Bank was incorporated on January 18, 1884, and opened ten days later. It was capitalized at $20,000, $13,100 of which was paid up at the time it began operations. M. J. Donahoo was its first president, and W. H. McKenzie, its first cashier. At first it was most successful, increasing its resources more than fifteen times in four years, which is claimed to be a record unequalled by any other bank in the United States. In 1887, the capital stock was increased to $300,000. It was not able, however, to survive the depression following the panic of 1893, and voluntarily liquidated some time during 1894-95.

The First National Bank of Modesto was chartered January 28, 1884, with Robert McHenry, president, and J. E. Ward, cashier. It was capitalized at $50,000, all of which was paid in. On July 10, 1920, it was purchased by the Sacramento Bank, and through subsequent mergers and changes in title became the Modesto branch of the United Bank & Trust Company of San Francisco. The next bank to be incorporated was the Cloverdale Banking & Commercial Company, which was chartered on February 25, 1884. It opened a few days later. It had a fully paid-up capital stock of $50,000. I. E. Shaw was president, and G. W.

Frost, cashier. In 1891, it changed its title to the Bank of Cloverdale, and on January 2, 1919, became the First National Bank of Cloverdale.

The Bank of Shasta County, at Redding, was chartered February 25, with a capitalization of $100,000, only one-tenth being paid in. C. C. Bush was president, and T. Grotefend, cashier. It later established a branch at Kennett. The state superintendent of banks was forced to close this institution and its branch on March 25, 1911. About 90 per cent of all claims were finally paid. The failure of the Bank of Shasta County also pulled down its affiliated institution, the First Savings Bank of Shasta County, but the latter was reopened on November 15, 1911, and continued until March 28, 1926, when it was sold to the Liberty Bank of San Francisco.

Two banks were established in the southern part of the state during this year, i. e., the Los Angeles Savings Bank and the Pasadena Bank. The former, it is claimed, was the first *bona fide* incorporated savings bank to be chartered south of Santa Cruz. It was incorporated April 8, 1884, and was capitalized at $100,000, one-fourth of which was paid in. L. C. Goodwin was president, and J. V. Wachtel, secretary. In 1904, it was purchased by the Security Savings Bank, later the Security Trust & Savings Bank. The Pasadena Bank was chartered on December 8, and opened a month later. P. M. Green was president, and D. G. Galbraith, cashier. It had $500,000 capital stock, but only one-tenth of that sum was paid in. On June 5, 1886, it became the First National Bank of Pasadena.

The bank commissioners in their report of July 1, 1884, continued to urge the enactment of their previous suggestions. They also included several new proposals, some of which were good, and some of which were not. It was suggested that no savings bank should be allowed to pay more than 10 per cent dividends upon the capital stock; that all savings banks should keep on hand a reserve in cash equal to 3 per cent of their deposits; and that no savings bank should receive commercial deposits or do a regular commercial banking business. For the first time recommendations were made concerning commercial banks. The commissioners urged that it should be unlawful for any incorporated commercial bank to make loans to any officer or director without ample security; that a surplus should be accumulated by each

commercial bank equal to 25 per cent of its paid-up capital stock; that a commercial bank should keep on hand at all times a reserve of not less than 25 per cent of its deposits; and that no commercial bank should be allowed to pay interest to depositors.

They also took occasion to attack the rather common practice of commercial banks in paying interest on deposits. They declared it to be "without question, a source of great danger, and liable to bring ruin upon the commercial bank that makes it a rule or practice. Whenever there arises a dullness in trade, a general depression in business, or any unnatural excitement in banking circles here or elsewhere, those interest bearing deposits are the very first to be withdrawn, causing the bank to call in good loans, to meet the call for money or compelling it to borrow at a greater rate of interest than they pay to the depositor until the amount of interest deposits have been reduced to a minimum, thus not only causing anxiety to the officers thereof, but perhaps crippling the corporation for some time to come. The law should be such as to absolutely prohibit commercial banks from paying interest to individual depositors."

During the year the commissioners had also asked the commercial banks to eliminate so far as possible all unsecured overdrafts. The amount of the latter had increased at a surprising rate, and all too frequently had caused the banks to suffer serious losses. They suggested that wherever possible a bank should require a note to be given rather than to permit an overdraft. In their next annual report (July 1, 1885), they were pleased to note that those banks which were members of the San Francisco Clearing House had, in July, 1884, adopted the above suggestion and had agreed to refuse depositors the right to overdraw their accounts. They also expressed the hope that "the time may come when the interior commercial banks will adopt the same rule and not allow overdrafts to occur, especially without adequate security in each individual case, because we know great and more frequent losses occur from that custom, or account, than from any other."

On January 1, 1885, nineteen savings banks reported $59,142,630 in deposits and $65,341,154 in assets, and seventy state commercial banks, including the foreign branch banks, reported $36,625,393 in deposits and $85,895,108 in resources. Total deposits amounted to $95,768,023, and total resources to

$151,236,262. These figures represented a decrease of about $2,000,000 in deposits, but an increase of about $6,000,000 in resources. The decrease in total deposits had undoubtedly been due to the unsatisfactory agricultural season and to the low prices that prevailed for farm products.

Only six banks were organized during 1885. The Savings Bank of Southern California, located in Los Angeles, was incorporated January 2, with a capital stock of $100,000, one-fifth of which was paid in. E. F. Spence was president, and S. B. Hunt, cashier. In 1899, the title of that institution was changed to the Southern California Savings Bank, and in 1907, it was purchased by the Security Savings Bank. The Fresno County Bank retired on April 1, being succeeded by the First National Bank, which had been chartered on March 16, 1885, with a fully paid-up capital stock of $100,000. J. H. Braly was president, and O. J. Woodward, cashier. On June 18, 1921, the First National Bank of Fresno was sold to the Bank of Italy.

The San Jose Safe Deposit Bank of Savings was chartered April 29, 1885. M. Malarin was president, and J. E. Auzerais was cashier. It was capitalized at $1,000,000, one-third of which was paid in. It was sold to the Bank of Italy November 19, 1917. The First National Bank of Riverside was chartered June 3, 1885, with I. V. Gilbert, president, and A. H. Naftzger, cashier. Its capital stock of $50,000 was fully paid up. It was absorbed by the Citizens National Bank of Riverside on May 16, 1916. The Bank of Tulare was chartered July 27, 1885. It was capitalized at $100,000, with one-fourth of that amount paid in. E. Lathrop was president, and J. Ginty, cashier. On May 18, 1912, it became the First National Bank of Tulare.

The Bank of Winters was incorporated November 6, 1885, with E. Wolfskill, president, and E. E. Kahn, cashier. It had a capital stock of $600,000, with about one-fifth paid in. On November 23, 1911, it sold its savings department to the Savings Bank of Winters, and on January 29, 1912, nationalized its commercial department under the title of the First National Bank of Winters. Both institutions were sold to the Bancitaly Corporation in the fall of 1926. The Bank of Livermore was chartered on December 11, with $100,000 capital, fully paid up. T. Varney was president, and H. H. Pitcher, cashier. It became the Farmers

& Merchants National Bank on January 3, 1911, and was sold to the Bank of Italy on January 27, 1917.

When the banks of the state made their reports on January 1, 1886, the returns from twenty-one savings institutions showed deposits of $60,435,918 and resources of $67,385,717. Seventy-five state commercial banks, including the foreign branch banks, reported deposits totalling $37,837,158 and resources of $83,349,182. The aggregate returns from both classes of banks showed deposits of $98,273,076 and resources of $150,734,899. This was an increase of about $2,500,000 in deposits for the year 1885, although resources had decreased about $500,000.

During the period 1886-88 the southern part of the state enjoyed a boom, the like of which California had never before and has never since experienced. The details of that unique portion of the history of California will be more fully dealt with in Chapter XII and Chapter XIII. With the incoming rush of new citizens, the development of agriculture, and the growth of cities, there naturally arose a demand for banking facilities. During 1886, fifteen banks were established, the greater portion, twelve in number, being located in the southern part of the state. Another interesting phenomenon was the fact that a surprisingly large share, six in all, were national banks.

The first bank to be established in 1886 was the San Gabriel Valley Bank of Pasadena, incorporated February 15, with a capital stock of $50,000, over one-half of which was paid in. H. W. Magee was president, and B. W. Bates, cashier. On January 31, 1912, this banking house was sold to the Union Savings Bank of Pasadena, which in its turn was sold in 1921 to the Los Angeles Trust & Savings Bank. The Consolidated National Bank of San Diego wished to have a savings department as an adjunct to its commercial business, and consequently on May 12, organized the Savings Bank of San Diego County, with a capitalization of $100,000, one-tenth of which was paid in. J. M. Pierce was president, and John Ginty, cashier. It failed in 1893, being pulled down by the enforced closing of the Consolidated National Bank.

The First National Bank of Santa Ana was chartered on May 15, 1886, with W. H. Spurgeon, president, and M. M. Crookshank, cashier. It was capitalized at $50,000. In 1900, it purchased the Exchange Bank of Santa Ana, which had been organized by the same interests on July 22, 1895. On March 25, 1902, it organized

the Santa Ana Savings Bank to care for its savings business, and on March 10, 1919, purchased the Farmers & Merchants National Bank of Santa Ana, which had been established in 1905, with a capitalization of $200,000. The First National Bank of Pomona was chartered on June 10, as the successor to the Pomona Valley Bank, which had been incorporated November 12, 1883. C. Seaver was president, and Stoddard Jess, cashier. It was capitalized at $50,000, all of which was paid in.

The Southern California National Bank of Los Angeles was chartered on August 21, 1886, with a capital of $100,000. J. I. Redick was president, and W. F. Bobyshell, cashier. In 1895, it changed its title to the Merchants National Bank. On May 26, 1917, it absorbed the National Bank of California, which had been established in 1889. In the fall of 1926, it was merged with the Hellman Commercial Trust & Savings Bank of that city, the latter having thirty-one branches located in and near Los Angeles. The resulting institution, the Merchants National Trust & Savings Bank, is the second largest national bank west of the Mississippi River.

The Bank of Arcata was chartered on September 11, 1886, with T. Bair, president, and W. W. Stone, cashier. It was capitalized at $100,000, with $40,000 paid in. It and its affiliated institution, the Arcata Savings Bank, were sold to the Liberty Bank of San Francisco on September 19, 1925.

The Santa Barbara Savings Bank was chartered on September 17, 1886. It had a capital stock of $50,000, a little more than one-half of which was paid in. J. H. Redington was president, and W. B. Metcalf, cashier. On August 15, 1887, it became the Commercial Bank of Santa Barbara, with a capitalization of $100,000, one-half of which was paid in. On August 13, 1918, it consolidated with the Santa Barbara Savings & Loan Bank, which had been incorporated March 19, 1891, becoming the Commercial Trust & Savings Bank of Santa Barbara. It absorbed the Lompoc Valley Savings Bank of Lompoc and the Commercial & Savings Bank of Carpinteria on February 16, 1920, and in its turn was merged with the Los Angeles Trust & Savings Bank on July 1, 1922. I. W. Hellman and associates established the Pasadena National Bank on October 18, 1886, with a fully paid-up capital of $50,000. Hellman was president, and G. A. Swartout, cashier. On June 20, 1914, it consolidated with the National Bank of Pasa-

dena, which had previously been the National Bank of Commerce. Through subsequent changes in title and mergers, the National Bank of Pasadena became a branch of the Security Trust & Savings Bank of Los Angeles.

The East Side Bank of Los Angeles was incorporated November 6, 1886. W. Vickery was its first president, and U. Embody, its first cashier. It had a capital stock of $50,000, one-fifth of which was paid in. In 1899, it changed its title to the Bank of Commerce, and in 1903, was merged with the American National Bank, which in September, 1909, consolidated with the Citizens National Bank of that city. The State Bank of San Jacinto, with A. P. Andrews, president and J. P. Green, cashier, was incorporated November 24, 1886. It was capitalized at $50,000, but only one-fourth of that amount was paid in. It retired some time during 1905-06. On November 29, 1886, the Bank of Orange was chartered, with $100,000 capital stock, one-fourth of which was paid in. N. Palmer was president, and G. J. Masbaugh was cashier. It became the National Bank of Orange on January 24, 1911. The First National Bank of Colton was established December 1, 1886, with J. W. Davis, president, and J. W. Davis, Jr., cashier. Its capital stock of $50,000 was fully paid in.

The Bank of Escondido was incorporated December 27, 1886, with W. W. Thomas, president, and J. H. Anderson, cashier. It had a capital stock of $100,000, one-fifth of which was paid in. It retired some time during 1905-06. In the northern part of the state, there were but two banks established during 1886. The California National Bank of San Francisco was incorporated on October 20, with R. P. Thomas, president, and C. H. Ramsden, cashier. It was capitalized at $1,000,000, but only $200,000 was paid in. It was forced to close its doors in December, 1888, the failure of the bank being caused by lack of harmony among its officers. It was the first national bank in California to be placed in the hands of a receiver. It finally paid 100 per cent on all claims. The remaining northern bank, the City Bank of Santa Cruz, was chartered December 18, 1886, with L. K. Baldwin, president, and G. W. Frost, cashier. It had a capitalization of $100,000, about one-fourth of which was paid in. It was nationalized some time during 1906-07 as the First National Bank of Santa Cruz. With its affiliated institution, the City Savings Bank, it was sold to the Bancitaly Corporation in January, 1927.

There were no bank failures during 1886, although the Mono County Bank of Bodie voluntarily closed on January 14, subsequently paying all claims in full.

During 1887, the rush for banking privileges continued unabated, and was especially prominent in the rapidly developing southern counties, which were undergoing a real estate boom. Records have been found of thirty-six institutions which either started as new firms or changed from private banking companies to state chartered associations. The greater portion of this number was in the southern part of the state. Eleven were members of the national banking system. There were no failures recorded during the year. On January 1, 1887, twenty-three savings banks reported deposits of $66,196,189 and resources of $73,526,738, while seventy-five state commercial banks and the foreign branch banks reported deposits of $44,594,153, and resources of $90,163,631, making aggregate deposits of $110,790,342 and aggregate resources of $163,690,369. These figures, compared to those of January 1, 1886, represented an increase of over $12,000,000 in deposits and over $13,000,000 in resources. Similar data for national and private banks were not available.

On January 1, 1887, William Hill and his son, A. B. Hill, began operations in Petaluma as private bankers. William Hill had for twenty years held the presidency of the Sonoma County Bank of that city. This private banking house was incorporated March 14, 1890, as the William Hill Company Bank, and with a paid-up capital of $200,000. It retired following the panic of 1907, its assets being taken over by the Petaluma National Bank. On February 1, 1887, the Santa Rosa National Bank was chartered with a capital stock of $500,000. S. R. Cooper was president, and L. M. Alexander, cashier. It failed in 1918 as a result of the defalcations of its officers, carrying down with it an affiliated institution, the Union Savings Bank of Santa Rosa.

The Bank of Central California, located in Fresno, was incorporated February 26, 1887. It had been organized by Louis Einstein and Louis Gundelfinger. Mr. Einstein had been born in Germany in 1847, coming to America at the age of eighteen. He arrived in San Francisco in 1866, later went to Portland, and finally settled in Fresno. In 1871, he opened a mercantile house in the latter city. Mr. Gundelfinger entered into partnership with him in 1887, the firm then being known as Louis Einstein & Com-

HIBERNIA SAVINGS AND LOAN SOCIETY, SAN FRANCISCO
Photo taken in 1884.

pany. Einstein, who had become very widely acquainted in the San Joaquin Valley, decided to organize a bank and in company with Gundelfinger established the Bank of Central California. In 1909, he was made president of the First National Bank of Coalinga. He was also president of the Einstein Investment Company of Fresno. As one who was most active in the development of the agricultural and financial interests of Fresno, he had a reputation for being "a man of unswerving business integrity and high and strong character, and one possessed of many qualities which commanded the esteem and regard of his many friends and of the community at large." He died November 9, 1914.

The title of the Bank of Central California was changed on October 5, 1915, to the Bank & Trust Company of Central California. On May 6, 1920, it purchased the Farmers Bank of Fresno and changed its own name to the Fidelity Trust & Savings Bank. On May 29 of that year, it was sold to the Los Angeles Trust & Savings Bank, and later became part of the branch banking system of the Pacific Southwest Trust & Savings Bank.

The First National Bank of Grass Valley was chartered on March 1, 1887, with D. McKay, Jr., president, and J. M. Thomas, cashier. It was capitalized at $50,000, all of which was paid in. This bank was purchased by the Bank of Nevada City in 1889, and made a local branch of the latter institution. The Bank of East San Bernardino Valley, located at Lugonia, was organized March 5, 1887, with P. Morrison, president, and J. W. Wilson, cashier. It had a paid-up capital of $50,000. It removed to Redlands in June, 1888, and became the First National Bank of that city. On February 11, 1916, it absorbed the Citizens National Bank of Redlands and was itself merged into the Los Angeles Trust & Savings Bank on June 30, 1922. The Bank of Selma was incorporated March 9, 1887, with a capital of $100,000, one-fifth of which was paid in. J. G. S. Arrants was president, and D. S. Snodgrass, cashier. In 1900, it became the First National Bank of Selma. The Union Bank of Redlands was incorporated March 10, 1887, with Curtis Wells, president, and R. B. Lane, cashier. It had a capital stock of $50,000, one-half of which was paid in. It became the Redlands National Bank in 1904. At the time of its nationalization, it established a companion institution, the Union Savings Bank, to care for its savings business. The Hellman Commercial

Trust & Savings Bank purchased the latter on March 15, 1922, and on May 14 following also purchased the Redlands National Bank.

On March 21, 1887, the Sather Banking Company of San Francisco took out a state charter. It was capitalized at $1,125,000, about two-thirds of which was paid in. Henry L. Dodge was president, and J. S. Hutchinson, cashier. On December 1, 1897, it became the San Francisco National Bank, and in July, 1910, was purchased by the Bank of California, National Association. On March 23, 1887, Judge R. M. Widney, one of the outstanding figures in the development of Los Angeles, and his associates organized the University Bank of that city. It was capitalized at $100,000, all of which was paid in. Judge Widney was president, and G. Sinsabaugh, cashier. The bank voluntarily liquidated in 1893, paying all claims in full.

The Bank of Orland was organized on March 29, 1887, with A. M. Beerman, president, and R. M. Murdock, cashier. This bank had a capital stock of $500,000, but only $25,000 of that sum was paid in. On November 7, 1921, it combined with the Orland Savings Bank to form a new Bank of Orland, with $100,000 capital stock. The Bank of Hanford was chartered April 11, 1887, with E. Jacob, president, and S. E. Biddle, cashier. It started with less than one-half of its capital stock paid in. It became the First National Bank of Hanford, May 11, 1901. The Garden City National Bank of San Jose was chartered April 23, 1887, but began operations on July 18. E. W. Breyfogle was president, and T. F. Morrison, cashier. The bank was capitalized at $100,000. It became the Garden City Bank & Trust Company, incorporated June 26, 1893, with $500,000 capital stock, less than one-half of which was paid in, and was purchased by the Mercantile Trust Company on October 21, 1922.

The Pasadena Savings Bank opened in May, 1887, but closed in the following December because of lack of patronage. Four years after the failure of the first attempt to organize a bank in Haywards, the second Bank of Haywards was incorporated on May 12, 1887, but it never opened for business. The Bank of Oceanside was chartered June 9, 1887, with $50,000 capital. D. H. Horne was president, and E. S. Payne, cashier. It was sold to the First National Bank of Oceanside on December 14, 1915. The First National Bank of Merced was organized on June 23,

1887, with a capitalization of $200,000. C. H. Huffman was president, and M. S. Huffman, cashier. It retired in 1892. The First National Bank of Monrovia was established July 2, 1887, with J. F. Brossart, president, and J. F. Sartori, cashier. It was capitalized at $50,000. It was purchased by the Security Trust & Savings Bank of Los Angeles on April 26, 1924.

The First National Bank of San Bernardino was chartered on July 3, 1887, with a capital of $100,000. J. H. Smith was president, and W. N. Crandall, cashier. This institution experienced a very serious run shortly after being organized, owing to the public becoming advised as to the dissension existing among its stockholders. It closed its doors in 1894, with the announcement that all claims would be paid in full. After many lawsuits and difficulties, the affairs of the bank were finally liquidated in 1899, the depositors receiving 62 cents on the dollar. The Bank of Elsinore was chartered on July 5, 1887, with Thomas Frame, president, and D. M. Fraser, cashier. Less than one-fifth of its $100,000 capital stock was paid in at the time it opened for business. On July 5, 1890, it was absorbed by the Exchange Bank of Elsinore, which had been chartered on August 18, 1887. F. H. Heald was the first president of the latter bank, and L. Wright, the first cashier. It began with a capitalization of $250,000, only $37,500 of which was paid in. The merger resulting from the combination of these two banks was known as the Consolidated Bank of Elsinore, which became the First National Bank of Elsinore, January 21, 1921.

The Bank of National City was established July 5, 1887, with F. A. Kimball, president, and J. S. Gordon, cashier. It started out with $300,000 capital stock, one-tenth of which was paid in. It suspended some time during 1896-97. The second private banking house to become incorporated during 1887, was that of D. B. Carver & Company of St. Helena. It became the Carver National Bank on July 9, with a capital stock of $50,000. D. B. Carver was the first president, and A. L. Williams, the first cashier. On April 1, 1920, it changed its title to the First National Bank of St. Helena.

The San Diego National Bank was incorporated July 29, 1887, with D. H. Henderson, president, and L. M. Jacobs, cashier. It was capitalized at $100,000. It voluntarily retired in less than a year's time. A. C. Henry, who undoubtedly had to his credit the

organization of more banks in Oakland and vicinity than any other person, started the California Bank & Trust Company in that city on August 1, 1887. It was capitalized at $100,000, with two-thirds of that sum paid in. Henry was its first president, and F. H. Brooks, its first cashier. During 1894-95, it changed its title to the California Bank of Oakland. It later established a branch. Both were closed by the bank commissioners on January 7, 1908. The Ontario State Bank was chartered on August 6, 1887, with S. P. Hildreth, president, and C. Frankish, cashier. It had a capital stock of $50,000, of which about one-half was paid in. In 1902, it became the First National Bank of Ontario. On February 4, 1925, it purchased the Euclid Savings Bank.

The California Bank of Los Angeles was incorporated August 8, 1887, with H. G. Newhall, president, and T. J. Weldon, cashier. It was capitalized at $500,000, with $300,000 paid in. In 1903, it was nationalized as the American National Bank, and in September, 1909, was purchased by the Citizens National Bank of that city. The Peoples Bank of Pomona was established August 27, 1887. It was capitalized at $100,000, but only a little more than one-third of that sum was paid in. Charles French was president, and G. J. Mitchell, cashier. It voluntarily retired in 1901, paying all claims in full. The second Bank of San Diego was chartered September 7, 1887. J. H. Braly was president, and G. M. Dannals, cashier. It was capitalizeid at $500,000, only one-fifth of which was paid in. In 1888, it was sold to the First National Bank of San Diego. The Bank of Commerce of San Diego was chartered only a few weeks after the incorporation of the Bank of San Diego. J. L. Horning was president, and J. C. Long, cashier. About one-tenth of its $500,000 capital stock was paid in. In July, 1903, it became the National Bank of Commerce, but on September 13, 1907, it again entered the state banking system as the Bank of Commerce & Trust Company, absorbing the Security Savings Bank & Trust Company, which had been organized by its own stockholders on May 29, 1905. On July 26, 1917, it consolidated with the Southern Trust & Savings Bank, creating the Southern Trust & Commerce Bank. The latter was purchased by the Bancitaly Corporation in January, 1927.

N. D. Rideout and associates organized the Placer County Bank of Auburn on October 5, 1887. It was capitalized at $100,000, but only one-fifth of that sum was paid in. Rideout

was president, and T. J. Nichols, cashier. On July 18, 1911, it added a savings department, and on October 24, 1916, it purchased the Bank of Newcastle. The Bank of Tustin, the first to be established in that city, was chartered on October 10, 1887. A. G. Smith was president, and E. D. Buss, cashier. Less than one-fifth of its $100,000 capital stock was paid in. It voluntarily retired some time during 1901-02. The San Bernardino National Bank was chartered on November 26, 1887, although it did not open until some months later. J. G. Burt was president, and W. S. Hooper was cashier. It was capitalized at $200,000.

The City Savings Bank of Santa Cruz was incorporated December 6, 1887, with a capital stock of $100,000, but only $2,900 was paid in at the time it made its first report to the Bank Commissioners on July 1, 1888. L. K. Baldwin was president, and W. C. Hoffman, cashier. It was sold to the Bancitaly Corporation in January, 1927. The American Bank & Trust Company of San Francisco was chartered December 8, 1887, with J. R. Sims, president, and J. J. Fagan, cashier. It was capitalized at $500,000, but only $6,600 of that sum was paid in. In 1902, it was purchased by P. E. Bowles and Francis Cutting, and incorporated as the American National Bank on September 17 of that year, with P. E. Bowles, president, and J. J. Fagan, cashier. On August 18, 1923, the bank again entered the state banking system as the American Bank of San Francisco. It purchased the Security Bank & Trust Company of San Francisco on September 8, 1923; merged with the American Bank of Oakland and its fifteen branches, and with the First National Bank of Oakland on October 14, 1924; changed its name to the American Bank on the same day; and purchased the Bank of Alameda and its branch on January 30, 1926. On January 3, 1927, it finally merged with the Mercantile Trust Company of San Francisco under the title of the American Trust Company. The resulting institution at the time of the consolidation had resources of $261,000,000, and eighty-two branches located in the central part of California. This placed it third among the banks of the state, both as to resources and as to branches, being surpassed only by the Bank of Italy of San Francisco and the First National-Pacific Southwest group of Los Angeles.

P. E. Bowles, who for so many years guided the affairs of the American Bank of San Francisco and its affiliated institutions,

was born in Arcata, California, in 1859. He graduated from the University of California in 1882, and shortly thereafter began his banking career as a clerk in the First National Bank of Oakland. In 1900, he purchased that institution. Two years later, he and Francis Cutting bought the American Bank & Trust Company of San Francisco and turned it into the American National Bank. To tell the story of his connection with the banking world of San Francisco, Oakland and other cities in Central California would be but to duplicate what has just been told above. He was for ten years a member of the Board of Regents of the University of California, and always took an active part in the management of the affairs of the larger corporations of the San Francisco Bay region. He died January 20, 1926.

The California National Bank of San Diego was chartered December 16, 1887. It was the outcome of the activities of D. D. Dare and J. W. Collins, who were newcomers in that city. It was organized with a capital stock of $250,000, fully paid in, and with William Collier as president and J. W. Collins as cashier. It came upon the scene of action just after the boom in San Diego had reached its height. Dare and Collins also established the California Savings Bank, incorporated January 11, 1890. Speculation of the most condemnatory sort wrecked both banks, which were forced to close in 1891. Collins killed himself. Dare, who was in Europe at the time of the failure, never returned. Only a small portion of the $1,000,000 deposits of the two banks was ever turned over to their depositors.

The First National Bank of San Luis Obispo was incorporated December 24, 1887, succeeding to the private banking business of Jack, Goldtree & Company. It did not open until March 1 of the following year. On December 1, 1892, it became the County Bank of San Luis Obispo, but liquidated about six years later. The last bank to be chartered during 1887 was the Bank of Santa Paula, incorporated December 28, with George H. Bonebrake, president, and J. R. Haugh, cashier. It was capitalized at $100,000, nearly all of which was paid in. On September 13, 1889, it became the First National Bank of Santa Paula, with $75,000 capital stock; on July 13, 1921, it changed its title to the First National Bank & Trust Company of Santa Paula; and on February 23, 1924, it was purchased by the Pacific Southwest Trust & Savings Bank of Los Angeles.

The bank commissioners in their report of August 10, 1886, had expressed the hope that the Legislature would not continue to ignore their existence, the results of their work, and their recommendations for needed legislation. They had urged the Senate and the Assembly each to appoint a committee on banks and banking before which the commissioners might appear and fully explain just what legislation was required so as to enable them to carry out their legal duties in a more satisfactory manner. Governor Stoneman in his inaugural address and also in his message to the Legislature voiced the same sentiments, with the result that a number of bills bearing upon the suggestions of the bank commissioners were introduced into the legislative session of 1886-87. Some of these measures were well meant but poorly conceived; others were purposely framed with the idea of being destructive in character. One bill would have made it illegal for a savings bank to pay more than 6 per cent in any one year on capital stock. Another would have prohibited a savings bank from charging depositors for any service rendered in connection with its business.

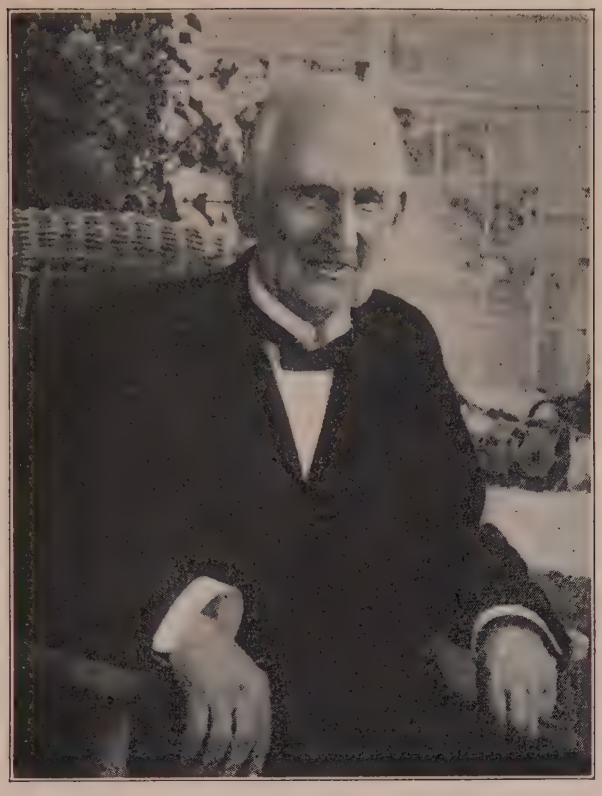
After considerable debate and discussion, certain amendments were made to the Act of 1878, and signed by the governor on March 10, 1887. The first significant innovation was one which provided that the commissioners should have control over banks in liquidation and compel them to liquidate within four years after suspending operations. If such could not be accomplished, then the commissioners were permitted to grant an extension, but only for one year at a time. They were also authorized to examine the affairs of insolvent banks, to designate the necessary officers required to continue the business, etc. Some of the banks which had been closed in 1878-79 were still hanging on, unnecessarily employing a staff of officers and clerks and purposely adding to the costs of liquidation. It was to meet such a state of affairs that the commissioners requested that they be given control over the insolvent banks.

The second important bit of legislation required private banks to make reports to the bank commissioners, just as had been done since 1878 by the state chartered banks. This change in the law caused many of the private houses to incorporate or to close their doors. In enforcing this latter provision the commissioners listed fifty private banks, but only twenty-nine admitted that they were

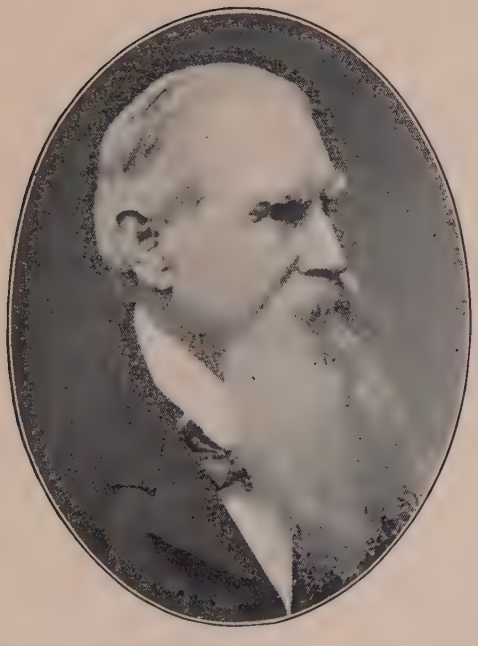
engaged in private banking and therefore submitted the required reports. The others denied that they were bankers. The first official list of private banks thus compiled by the bank commissioners as of July 1, 1887, contained the names of the following firms: Donohoe, Kelly & Company, Tallant & Company, and Belloc & Company (Belloc Frères), San Francisco; U. M. Gordon & Company, San Rafael; Weissbein Brothers & Company, Grass Valley; A. W. Randall, Eureka; W. A. C. Smith, and D. B. Carver, St. Helena; William Hill & Son, Petaluma; Rideout & Smith, and Decker, Jewett & Company, Marysville; O. W. Hollenbeck, Auburn; Herbert Kraft, Red Bluff; J. H. Goodman & Company, and Seeley & Bickford, Napa; W. & P. Nicholls, Dutch Flat; Mierson & Jewell, Placerville; J. H. Burnham, Folsom; H. Scamman, Downieville; A. F. Redemeyer, Ukiah; A. B. Carlock, Fort Jones; G. W. Penter, Bodie; Cressler & Bonner, Cedarville; A. H. Raynolds, National City; Jack, Goldtree & Company, San Luis Obispo; Jacobs, Meyerstein & Lowenberg, operating as the Bank of San Bernardino; Scott & Maholm, operating as the Los Nietos Valley Bank, Downey City; Childress Safe Deposit Bank, Los Angeles; and G. K. Smith, Biggs. These private banking houses on July 1, 1887, reported deposits of $6,118,498 and total resources of $10,578,468.

Within a very few years this list was greatly changed, many of the banks mentioned taking out state charters because of the change in the law requiring the filing of semi-annual reports. Others later did likewise after 1905 because the law was further modified at that time so as to permit the commissioners to make personal examination of the private banks. Donohoe, Kelly & Company incorporated as the Donohoe-Kelly Banking Company March 3, 1891.

Tallant & Company took out a charter as the Tallant Banking Company July 28, 1891, and was sold to the Crocker Woolworth National Bank in 1898. Belloc & Company failed in 1890. U. M. Gordon & Company sold out in 1889-90 to A. P. Hotaling & Company, which incorporated October 30, 1907, and sold out to the Bank of San Raphael on December 27, 1910. Weissbein Brothers & Company retired some time during 1901-02. A. Randall incorporated as the Randall Banking Company on December 1, 1891, and failed some time during 1896-97. W. A. C. Smith and A. H. Raynolds retired within a year's time.



GEORGE E. GOODMAN
James H. Goodman & Company Bank, Napa.



C. C. BUSH
Bank of Shasta County, Redding.

LEWIS JACOBS
Bank of San Bernardino

D. B. Carver incorporated as the Carver National Bank on July 9, 1887, which later became the First National Bank of St. Helena. William Hill & Son incorporated as the William Hill Company March 14, 1890, and retired about fifteen years later. Decker, Jewett & Company incorporated as Decker, Jewett & Company Bank on November 12, 1888. O. W. Hollenbeck, who had succeeded to the business of Andrews & Hollenbeck in 1887, failed as a result of the panic of 1893. Herbert Kraft incorporated the Herbert Kraft Banking Company on April 24, 1894, and retired in 1912. J. H. Goodman & Company took out a charter as James H. Goodman & Company Bank on June 11, 1889, and was sold to the Bank of Italy in 1917.

Seeley & Bickford sold out to E. L. Bickford and A. T. Bickford, which firm incorporated as the Napa Commercial & Savings Bank, March 4, 1903. W. & P. Nicholls retired April 28, 1913. Mierson & Jewell became A. Mierson some time during 1894-95, and on July 2, 1902, was incorporated as the Mierson Banking Company. J. H. Burnham retired March 4, 1911. H. Scamman died some time during 1893-94. A. F. Redemeyer retired some time during 1898-99. A. B. Carlock became the Carlock Banking Company, June 27, 1899, and in 1911, the latter changed its name to the Scott Valley Bank. G. W. Penter sold out to E. L. Benedict during the next year, but Benedict retired within a year. Cressler & Bonner retired some time during 1902-03. Jack, Goldtree & Company were succeeded by the First National Bank of San Luis Obispo, chartered December 24, 1887, which later became the County Bank of San Luis Obispo, and liquidated in 1898.

Jacobs, Meyerstein & Lowenberg, operating as the Bank of San Bernardino, voluntarily liquidated some time during 1900-01, selling out to one of the partners, Lewis Jacobs, who continued to operate as the Bank of San Bernardino until July 19, 1910, when he voluntarily retired. Scott & Maholm, operating as the Los Nietos Valley Bank, incorporated under the latter title on July 20, 1891. The Childress Safe Deposit Bank was chartered as the City Bank of Los Angeles, July 18, 1889, but failed during the panic of 1893. G. K. Smith incorporated as the Sacramento Valley Bank, December 16, 1891.

The bank commissioners decided that it would be a good thing to obtain reports from the national banks of the state, and although the latter were not compelled by law to acquiesce in the

request, they did so without hesitancy and continued so to do until 1906. The following national banks, twenty-eight in number, were in operation on July 1, 1887: First National Bank, Crocker Woolworth National Bank, and California National Bank, San Francisco; Southern California National Bank, Los Angeles National Bank, and First National Bank, Los Angeles; First National Bank, and Union National Bank, Oakland; First National Bank, Fresno; First National Bank, Alameda; First National Bank, Petaluma; Santa Rosa National Bank, Santa Rosa; Consolidated National Bank, and First National Bank, San Diego; First National Bank, Colton; First National Bank, Riverside; Santa Barbara County National Bank, and First National Bank, Santa Barbara; First National Bank, Santa Ana; First National Bank, Pomona; First National Bank, and Pasadena National Bank, Pasadena; First National Bank, Grass Valley; National Bank of D. O. Mills & Company, Sacramento; First National Bank, Stockton; First National Bank, San Jose; First National Bank, San Bernardino; and First National Bank, Modesto. These twenty-eight national banks reported deposits of $18,001,082 and assets of $28,743,717.

The banking figures for the entire state on July 1, 1887, presented a most satisfactory condition. The 169 state, national, and private banks and foreign bank branches had a total paid-up capital of $45,056,780, deposits of $146,711,444, and assets of $218,289,889. It was estimated that there was a bank for every 7,000 people. In San Francisco, there was one for every 13,000, while in Los Angeles, there was one for every 4,000. The latter figures clearly disclosed the rapid expansion in the number of banking houses in Los Angeles during the years of the boom period. The per capita of bank capital in San Francisco was $76, and in Los Angeles, $23, while the per capita of deposits in San Francisco was $294 and in Los Angeles, $161.

The establishment of the San Francisco Clearing House in 1876 marked the first real step towards developing a coöperative spirit among any group of bankers in the state. The next step taken in the same direction was when the Los Angeles Clearing House was organized on September 17, 1887. At that time the following banks were operating in that city: the Los Angeles Savings Bank, the Savings Bank of Southern California, the East Side Bank, the Farmers & Merchants Bank, the Los Angeles

County Bank, the University Bank, the California Bank, the First National Bank, the Los Angeles National Bank, the Southern California National Bank, and the Childress Safe Deposit Bank. Thus, there were two savings banks, five commercial state chartered banks, three national banks and one private bank, eleven in all. Seven of this number were on the charter roll of the clearing house, viz., the Farmers & Merchants Bank, the Los Angeles County Bank, the First National Bank, the Los Angeles National Bank, the Southern California National Bank, the University Bank, and the Childress Safe Deposit Bank.

The first officers chosen to guide the affairs of the new organization were as follows: president, I. W. Hellman, president of the Farmers & Merchants Bank; vice president, George H. Bonebrake, president of the Los Angeles National Bank; secretary-manager, J. M. Elliott, cashier of the First National Bank; Clearing House Committee, I. W. Hellman, Farmers & Merchants Bank; J. E. Plater, Los Angeles County Bank; W. F. Bosbyshell, Southern California National Bank; and A. D. Childress, Childress Safe Deposit Bank. The clearings for the first year totaled $36,050,980.94. Since that time the Los Angeles Clearing House has occupied a position of prominence among similar associations in the United States. It has been a powerful influence in banking circles in the southern part of the state. Its subsequent history will be more fully presented in a later chapter.

It has been said that a clearing house was also established in Fresno, either during the latter part of 1887 or the early part of 1888. Fresno at that time had five banks, viz., the Fresno Loan & Savings Banks, the Bank of Central California, the Farmers Bank, the First National Bank and the Fresno National Bank. This list included one savings bank, two state commercial banks, and two national banks. The organization, which was established, was not a *bona fide* clearing house. It was a most informal association, and was concerned with the discussion of local banking problems. No officers were elected, and no clearings were made between the members. All of the local institutions sent representatives to the meetings, which were called at irregular intervals. It was not until 1907 that the first *bona fide* clearing house was established in that city.

The year 1888 continued to show the results of the momentum obtained in the preceding years, so far as the establishment of

banks was concerned. Eighteen banks were incorporated from January 1 to December 31, although one, the Sierra Madre Bank, incorporated May 20, never opened its doors. The progress made in increasing the banking facilities of the state is evidenced by the data compiled from the reports of all the banks. On July 1, 1888, statements of condition were received from 23 savings banks, 110 state commercial banks, 30 private banks and 38 national banks, or a total of 201 institutions. As contrasted with the figures for the preceding July, the results showed an increase of one savings bank, eleven commercial banks, one private bank and ten national banks. There were some withdrawals and some changes from private banks to state chartered banks. One national bank, the First National of Alameda, shifted to the State system, and became the Bank of Alameda on October 31.

An interesting phenomenon, however, was the continued steady trend towards the national banking system. This was to be accounted for by the fact that most of the national banks were established in the newer communities and by people who had only lately come into California from the eastern sections of the country where national banks were numerous and very popular with the people. As our story progresses, we shall see the pendulum swinging back the other way and shall note the growing dominance of the state chartered banks. Owing to a change in the practice of the bank commissioners in compiling bank statistics, it will be necessary for us in the succeeding pages to compare the condition of banks on the first of July in one year with their condition on the first of July of the succeeding year. The data for July 1, 1888, were as follows:

Number of Banks	*Deposits*	*Resources*
23 Savings Banks	$ 77,718,534	$ 85,727,492
110 Commercial Banks	48,309,118	106,513,610
30 Private Banks	6,477,331	11,815,549
38 National Banks	18,646,543	32,240,574
	$151,151,526	$236,297,225

This represented about a $5,000,000 increase in deposits and about an $18,000,000 increase in resources over the returns for July 1, 1887.

The Granite Bank of Monrovia was incorporated January 16,

1888, with E. F. Spence, president, and T. V. Lamport, cashier. It was capitalized at $200,000, one-fourth of which was paid in. It retired some time during 1892-93, because of the depression then existing in the southern part of the state. Its legal existence was still kept alive for the purpose of settling up its affairs. At a meeting held on February 10, 1899, its stockholders voted to change its place of business to Los Angeles, where it did not actively engage in banking operations, and to change its name to the Anglo-American Bank of Los Angeles. Again, on July 29, 1904, the stockholders voted to move the bank to San Diego, where it opened for business after being inactive for twelve years under the new title of the Citizens Savings Bank of San Diego. L. J. Wilde was the first president and C. B. Whittelsey, the first cashier of the latter institution. It had a paid up capital of $200,000 at that time. On November 23, 1922, its stockholders organized the First Trust & Savings Bank of San Diego, which on December 30 of that year absorbed the Citizens Savings Bank, the California State Bank of East San Diego, and the Bank of Coronado. On March 15, 1926, it purchased the La Jolla branch of the United States National Bank of San Diego.

The Bank of Oakdale was chartered a few days later, January 18, 1888, with a capital stock of $150,000, almost all of which was paid in. H. Harlacher was president, and L. Kahn, cashier. It retired some time during 1904-05. The First National Bank of Santa Monica was chartered March 6, with G. H. Bonebrake, president, and E. J. Vawter, cashier. It was capitalized at $50,000, almost all of which was paid in. It changed its title to the Bank of Santa Monica on April 4, 1893, and was sold to the California Bank of Los Angeles, February 1, 1922.

The Commercial Bank of San Luis Obispo was incorported on March 16, 1888, under circumstances that made it appear rather problematical whether or not this banking house might succeed. There were two other banks in operation in San Luis Obispo at that time. The boom which had swept over the southern part of the state had subsided, and conditions in general wore a rather depressed air. Henry Brunner, a Swiss of rather wide experience in banking, gathered around him a number of his fellow countrymen, and with the aid of other capitalists, established the Commercial Bank of San Luis Obispo. The bank was successful from the start, in fact so much so that on October 4, 1890, Mr. Brunner

organized the California Mortgage & Savings Bank, which operated under the same management and officers. M. R. Venable was president of both institutions, and Henry Brunner was cashier. The Commercial Bank was capitalized at $100,000, one-half of which was paid in. It later established branches at Atascadero and Paso Robles, and was subsequently sold, February 17, 1923, to the Pacific Southwest Trust & Savings Bank of Los Angeles.

The California Mortgage & Savings Bank was capitalized at $250,000, and had a little less than one-half that amount paid in when it began operations. It proved to be a very successful venture, but its managers felt that San Luis Obispo and the surrounding territory did not afford as fruitful a field for its activities as would San Francisco. So, some time during 1896-97, they transferred the company to the city beside the Golden Gate. About three years later the name of the institution was changed to the German Trust Company with a capital stock of $1,000,000, one-third of which was paid in. Ernest A. Denicke was president, and H. Brunner, cashier.

It is said that the older German Savings & Loan Society objected to the use of a name by the new bank so similar to its own because of the possibility of confusion as to the identity of the two houses, and that to avoid difficulty, the title of the newer organization was further modified to the Germania Trust Company. In 1903, this bank was divided into two parts—one, the Central Trust Company of California, was incorporated January 29, with F. J. Symmes, president and H. Brunner, cashier; the other, the Germania National Bank, was chartered January 16, with W. A. Frederick, president, and F. Kronenberg, cashier. The capital stock of the latter was $300,000, fully paid up, while that of the former was $3,000,000 with one-half paid up. The Germania National Bank retired after the fire of 1906. The Central Trust Company, located at the corner of Market and Sutter streets, built up a flourishing business and was absorbed by the Anglo-California Trust Company on February 3, 1911. At the time of the merger, the Central Trust Company had resources of approximately $5,500,000. It also had a branch office on Van Ness Avenue, San Francisco.

The Bank of San Pedro was chartered on March 26. 1888, with a capitalization of $50,000, one-half of which was paid in. W. G. Kerskhoff was president, and G. H. Peck, cashier. The Bank of

STAFF OF THE ANGLO-CALIFORNIAN BANK, LTD., 1888, SAN FRANCISCO

TEMPLE BLOCK, LOS ANGELES, TAKEN ABOUT 1890
In which the Los Angeles County Bank was located.

Northern California, located at Redding, was incorporated April 23, 1888, with E. J. Frisbie, president, and J. McCormick, cashier. It had a fully paid up capital of $50,000. On November 11, 1911, it became the Northern California National Bank, with a capitalization of $100,000.

The California State Bank of National City was incorporated April 26, 1888, with E. Steele, president, and E. M. Carver, cashier. Only $11,000 of its $500,000 capital stock was paid in at the time it opened for business. The boom that had swept over the southern part of the state had about spent its force, and so it was decided in 1899 to move the bank to Monterey and to change its name to the California State Savings Bank. This was done, but the bank did not prosper, and was forced to close as a result of the panic of 1893.

The Fresno National Bank was chartered May 1, 1888. It was capitalized at $100,000, three-fourths of which was paid in. J. B. Hamilton was president, and G. H. Andruss, cashier. It was sold to the Bank of Italy on October 21, 1916. The Pacific Bank interests in San Francisco organized the Peoples Home Savings Bank on May 14, with C. Waterhouse, president, and J. K. Wilson, cashier. It was capitalized at $300,000, one-third of which was paid in. For several years thereafter it operated successfully, but was forced to close as a result of the failure of the parent institution in June, 1893.

The Pajaro Valley Bank of Watsonville was incorporated May 25, 1888, with J. T. Porter, president, and J. J. Morey, cashier. It had a capital stock of $100,000, one-fourth of which was paid in. It became the Pajaro Valley National Bank, January 3, 1910. A few months later (July 19), the same parties organized the Pajaro Valley Savings & Loan Society with A. Lewis, president, and J. J. Morey, cashier. It was capitalized at $100,000 with one-tenth of that amount paid up. On December 12, 1910, it changed its title to the Pajaro Valley Savings Bank.

The Bank of Rideout, Smith & Company of Oroville, incorporated on May 31, 1888, had previously been a private bank operating under that name. N. D. Rideout was president, and E. W. Fogg, cashier. It was capitalized at $300,000, but only one-fifth of that sum was paid in. On February 4, 1922, it was sold to the Bank of Italy. The Market Street Bank of San Francisco, the second to be started with that title, was chartered June 1, 1888,

with W. F. Lewis, president, and I. C. Lewis, cashier. It was capitalized at $100,000, but only $5,000 was paid in. It retired within a year. The Bank of Lodi was chartered June 7, 1888. B. F. Langford was president, and G. W. Currier, cashier. It was capitalized at $100,000, with one-fifth that sum paid in. It remained the only bank in Lodi until 1905. On February 17, 1912, it purchased the Lodi Savings Bank, and on December 31, 1917, it became the Lodi National Bank. It absorbed the Citizens National Bank of Lodi on January 1, 1926.

The Alhambra Bank was chartered October 10, 1888, with J. M. Elliott, president, and J. A. Green, cashier. It had a capital stock of $100,000, with $21,900 paid in. It became the Sixth Street Bank of San Diego some time during 1906-07, changed its title to the Central Bank of San Diego, April 18, 1910, and was sold to the Marine National Bank, March 25, 1911. The Marine National Bank was absorbed by the American National Bank, March 18, 1916, which in its turn was consolidated with the First National Bank of San Diego on December 29, 1918. The Farmers & Merchants Bank of Stockton was chartered on October 17, 1888, with P. B. Fraser, president, and C. H. Keagle, cashier. It had a capital stock of $500,000, one-half of which was paid in. On September 28, 1917, it purchased the Commercial State Bank of Oakdale, and on August 14, 1920, was sold to the Sacramento Bank. Later, through mergers and changes in title, it became the Stockton branch of the United Bank & Trust Company of San Francisco. The old banking firm of Decker, Jewett & Company, of Marysville, which traced its lineage back to the pioneer house of Mark Brumagim & Company, finally decided to incorporate, which it did on November 12, under the title of Decker, Jewett & Company Bank. Its history has already been detailed in previous pages.

The bank commissioners' report for July 2, 1888, listed five new private banking houses that had opened since the preceding July. They were Thomas Bakewell & Sons of Riverside, William Collins & Sons of Ventura, Ricker, Mason & Lindley of Whittier, the Bank of Paso Robles, the Stockton Bank, and Tillinghast, Henry & Company of Whittier. Thomas Bakewell & Sons failed within a year's time. Tillinghast, Henry & Company continued in the field for only a few months. William Collins & Sons was suspended by the order of the bank commissioners following the

panic of 1907. Mason & Lindley retired in about two years. The Stockton Bank was owned by R. K. Reid and G. H. Trahern. R. W. Tully was cashier. He had been cashier of the first Bank of Stockton established in 1868. The Stockton Bank retired within a year.

The Bank of Paso Robles was organized by R. E. Jack, Isaac Goldtree, David Speyer and others. It was the first banking company in that city. It incorporated, March 31, 1899, with H. E. Eppinger, Jr., president, and F. D. Frost, cashier. Its capital stock of $50,000 was fully paid in. This bank was closed by the order of the superintendent of banks on August 11, 1909, and its assets sold to the Citizens Bank of that city.

In their report for 1888, the bank commissioners complained that some of the private banking houses were using corporate names, thus possibly leading the public to believe that the companies in question were state chartered institutions and therefore under the supervision of the bank commissioners. They also called attention to the fact that certain individuals, and also some business corporations chartered for other purposes than banking, were advertising themselves as "bankers, banks, or banking corporations," but were refusing to submit reports to the State officers on the ground that they were not conducting a banking business inasmuch as they were not receiving deposits. Nothing was done for many years thereafter legally to prevent the abuses complained of.

At the close of the fiscal year, July 1, 1889, the bank commissioners reported 219 banks in operation with total deposits of $160,451,776, and total resources of $246,511,972. These figures represented about a $9,000,000 increase in deposits and about a $10,000,000 increase in resources over the figures for July 1, 1888. In the case of the state chartered commercial banks, however, although they had increased by eight in a year's time, yet they reported a decrease of about $2,000,000 in deposits and $217,292 in resources. Of these 219 banks, 28 were savings banks, 117 were state chartered commercial banks, 34 were private banks, 5 were branches of foreign banks, and 35 were national banks. The figures disclosed a gain of four savings banks and eight state commercial banks, and a loss of three national banks. The First National Bank of Alameda had become a state bank; the First National Bank of Grass Valley had been made a

branch of the Citizens Bank of that city; the San Diego National Bank had consolidated with the First National Bank of San Diego; and the California National Bank of San Francisco had failed. There was one addition to the national banking system, i. e., the Bank of Santa Paula which became the First National Bank of that city.

Seven private banks had been established, but certain changes had occurred so as to keep the number the same as for the preceding July. The new private banks were as follows: E. Austin & Co., of San Miguel; Fallbrook Banking Company, Fallbrook; Fos Savings Union, San Diego; George W. Fox, Murietta; Harrell & Son, Visalia; Horstman Bros. & Seeman, Templeton; and R. B. Taylor, South Riverside. E. Austin & Company of San Miguel was organized during the year, but was succeeded by the Bank of San Miguel, incorporated July 1, with E. Austin, president, and W. B. Austin, cashier. It was capitalized at $100,000, one-half of which was paid in. It voluntarily retired during the panic of 1893, paying all claims in full.

Horstman Brothers & Seeman of Templeton were chartered as the Bank of Templeton, April 9, 1889, with A. P. Seeman, president, and A. F. Horstman, cashier. About two-thirds of its capital stock of $25,000 was paid in at the time it opened for business. It liquidated some time during 1898-99. The Fos Savings Union of San Diego was established by C. M. W. Fos and W. U. Fos with a capital of $25,000. It retired in about two years. Harrell & Son of Visalia was succeeded by the Producers Bank, incorporated on May 29, 1893, with W. F. Thomas, president, and S. Mitchell, cashier. It was capitalized at $250,000, only $44,670 of which was paid in. It was succeeded some time during 1903-04 by the First National Bank of Visalia, which on June 30, 1922, was sold to the Los Angeles Trust & Savings Bank. R. B. Taylor of South Riverside incorporated as the Citizens Bank, November 5, 1890, with a capital stock of $50,000, $35,000 of which was paid in. R. B. Taylor was president, and J. T. Burton, cashier. It retired during 1897-98.

The Fallbrook Banking Company of Fallbrook, incorporated as the Fallbrook Bank on March 8, 1890, with J. A. Pruett, president, and A. J. Clark, cashier. It was capitalized at $50,000, about one-third of which was paid in. It retired during 1895-96,

paying depositors in full. George W. Fox of Murietta retired in about two years.

The first bank to be chartered during 1889, was the Security Savings Bank & Trust Company of Los Angeles, which was incorporated on January 11. F. N. Meyers was president, and J. F. Sartori, cashier. It was capitalized at $200,000, $66,080 of which was paid in. During 1895-96 it changed its title to the Security Savings Bank. On January 8, 1912, it added a trust department and on January 14 of that year, officially changed its name to the Security Trust & Savings Bank. It purchased the Main Street Savings Bank of Los Angeles on January 11, 1904, the Los Angeles Savings Bank on November 5, 1904, the Southern California Savings Bank of Los Angeles on December 10, 1907, the Equitable Savings Bank of Los Angeles on January 14, 1912, the Southern Trust Company of Los Angeles on February 28, 1912, the Hollywood National Bank and the Citizens Savings Bank of Hollywood on November 12, 1919, the Security National Bank of Los Angeles on May 15, 1920, and a large number of other banks located in the vicinity of Los Angeles. On January 1, 1927, it had a branch banking system of 49 offices, representing a capital of $11,275,000, surplus of $3,000,000, and total resources of $251,842,275. The story of its branch banking activities will be presented in a subsequent chapter.

The State Loan & Trust Company of Los Angeles, affiliated with the Los Angeles National Bank, was chartered January 28, 1889, with $1,000,000 capital stock, $192,291 of which was paid in. G. H. Bonebrake was president, and S. B. Hunt, secretary. In 1899, it changed its title to the State Bank & Trust Company, and in 1908, was merged with the Central Trust Company, which in turn was merged with the Dollar Savings Bank & Trust Company to form the Park Bank. The latter was purchased by the Bank of Italy on May 1, 1913.

The Bank of Hueneme was incorporated February 28, 1889, with T. R. Bard, president, and A. Bernheim, cashier. It opened about August 1, with approximately one-fifth of its $100,000 capital stock paid in. On June 30, 1923, it added a savings department. The Union Savings Bank of Modesto was organized April 2, 1889, with R. McHenry, president, and J. E. Ward, cashier. It was capitalized at $300,000 with only $10,000 paid in. It was sold to the Sacramento Bank, July 2, 1920, and

through subsequent mergers and changes in title became the Modesto branch of the United Bank & Trust Company of San Francisco.

The Orange County Savings, Loan & Trust Company at Santa Ana was chartered April 8, 1889. C. R. Smith was president, and C. F. Mansur, cashier. It was capitalized at $100,000, with less than one-fifth of that sum paid in. Some time during 1892-93, it changed its title to the Orange County Savings Bank. On April 3, 1912, it added a trust department, and three days later became the Orange County Savings & Trust Company. The Commercial Bank of Los Gatos was incorporated, April 13, 1889, with a capital stock of $50,000, one-half of which was paid in. S. Templeton was president, and E. C. Farley, cashier. It retired some time during 1901-2. The San Diego Savings Bank was chartered, April 15, 1889, with O. J. Stough, president, and M. T. Gilmore, cashier. It was capitalized at $200,000, and had but a little over $10,000 paid in at the time it began operations. On January 2, 1923, it added a trust department and on January 12, 1925, it added a commercial department and changed its title to the San Diego Trust & Savings Bank.

The Pioneer Bank of Porterville was chartered April 19, 1889, P. N. Lilienthal, who was at that time active in San Francisco banking circles, was president, and E. W. Beebe, cashier. The bank was capitalized at $70,000, one-tenth of which was paid in. On April 7, 1922, it absorbed the Farmers & Merchants Bank of Exeter, and on December 31, 1923, was sold to the Pacific-Southwest Trust & Savings Bank of Los Angeles. On May 17, the Vallejo Savings & Commercial Bank, which has been mentioned earlier as having been chartered on May 3, 1870, reincorporated as the Vallejo Commercial Bank. It retained the same officers, i. e., E. J. Wilson, president, and J. R. English, cashier, but increased its capital stock from $75,080 to $100,000, $95,000 of which was paid in. On July 30, 1918, it sold its commercial business to the Vallejo Commercial National Bank, and on October 14 of that year changed its title to the Vallejo Bank of Savings.

On July 18, 1889, the Childress Safe Deposit Bank of Los Angeles incorporated as the City Bank. A. D. Childress was president, and J. S. Park, cashier. It was capitalized at $300,000, one-third of which was paid in. It failed as a result of the panic

of 1893. The National Bank of California of Los Angeles was chartered September 2, 1889, with a paid up capital of $200,000. J. M. C. Marble was president, and W. C. Hughes, cashier. It was purchased by the Merchants National Bank of that city on May 26, 1917. On October 4, 1889, the Bank of Eureka and the Savings Bank of Humboldt County were incorporated by the same parties and with the same officers. William Carson was president, and C. P. Soule, cashier, of both institutions. The Bank of Eureka had a capital stock of $200,000, one-tenth of which was paid in, and the Savings Bank of Humboldt County had a capital stock of $100,000, one-half of which was paid in.

The Home Savings Bank of Eureka was incorporated only a few days later, October 21, with a capital of $100,000, about one-half of which was paid in. Isaac Culberg was president, and E. Everding, cashier. On July 1, 1921, it absorbed the First Savings Bank of Eureka, and on August 30 of that year added a commercial department. This bank was sold to the Liberty Bank of San Francisco on November 30, 1925. The Main Street Savings Bank & Trust Company of Los Angeles was organized by J. B. Lankershim and associates on October 28, 1889, with a capital of $200,000, a little less than a fourth of which was paid in. Lankershim was president and F. W. De Van, cashier. It was purchased by the Security Savings Bank in 1904, which later became the Security Trust & Savings Bank. The Bank of Madera was chartered November 14, 1889, with R. Roberts, president, and J. Brown, cashier. It was capitalized at $100,000, less than one-tenth of which was paid in. It failed during the panic of 1893.

The Mutual Savings Bank of San Francisco was organized on November 21, 1889, by James Phelan, James G. Fair, J. A. Hooper, James Moffitt, and others. J. G. Fair was president, and J. A. Thompson, cashier. It was capitalized at $1,000,000, one-third of which was paid in. After a most successful career as one of the few mutual savings banks in California, it was purchased by the First Federal Trust Company of San Francisco, a subsidiary of the First National Bank of that city, and retained as a branch for a period of two years, after which it was absorbed by the home office. The latter, on January 2, 1926, became the Crocker-First Federal Trust Company. The Union Savings Bank of San Jose was incorporated November 30, 1889, with W. S.

Thorne, president, and H. W. Wright, cashier. It was capitalized at $200,000, one-fourth being paid in at the time it began operations. It retired some time during 1898-99. The Northern California Bank of Savings, located at Marysville, was chartered December, 7, 1889, with J. U. Hofstetter, president, and G. R. Echart, cashier. It was capitalized at $200,000, with $40,000 paid in.

The last bank to be chartered during 1889 was the Savings Bank of San Bernardino. It was incorporated December 12, with F. Hinckley, president, and S. F. Zombro, cashier. It had a capital stock of $100,000, one-tenth of which was paid in. On March 21,1918, it added a commercial department, and on December 22, 1920, changed its title to the San Bernardino Valley Bank. On May 5, 1922, it was taken over by the local unions of the railroad brotherhoods and has since been operated as a labor bank. It was the first labor bank to be established in California. Walter McCaleb was its first president after the change had been made, and J. S. Abbott, the first cashier. On July 1, 1922, it had a combined capital and surplus of $93,000 and assets of $757,520. On June 30, 1923, it absorbed the Bank of Needles, and on March 7, 1925, it purchased the Monaghan & Murphy Bank at Needles. Several other labor banks have been organized in the state since that time, but data concerning them will appear in a later chapter.

Some time during the fall of 1889 or the spring of 1890, the private banking firm of U. M. Gordon of San Raphael, which had been in business since the '60s, sold out to A. P. Hotaling & Company. The latter had been operating from about 1871 as a private banking company. Hotaling & Company incorporated as the Hotaling Banking Company on October 30, 1907, with R. M. Hotaling, president, and H. Burnett, cashier, and with a paid up capital of $200,000. On December 27, 1910, it was sold to the Bank of San Raphael, which had been chartered only a few days earlier (December 23, 1910), with A. W. Foster, Jr., president, and J. W. Harper, cashier.

There was only one failure recorded during 1889, i. e., the Pomona Bank, which suspended during the month of August.

Santa Clara County
LIBRARY

Renewals:
(800) 471-0991
www.santaclaracountylib.org

SANTA CLARA COUNTY LIBRARY
3 3305 00207 6457